Daily Report

East Europe

FBIS-EEU-95-113
Tuesday
13 June 1995

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FBIS-EEU-95-113 *13 June 1995*

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Butrus-Ghali Views UN Role in Bosnia

AU1206130095 Hamburg DER SPIEGEL in German 12 Jun 95 pp 150-154

[Interview with UN Secretary General Butrus Butrus-Ghali by Volkhard Windfuhr and Siegesmund von Ilsemann in New York; date not given: "'Not a Fiasco'"]

[FBIS Translated Text] [DER SPIEGEL] Mr. Secretary General, what was your feeling when you saw your UN troops as hostages in Bosnia, handcuffed and chained to military targets?

[Butrus-Ghali] I felt humiliated, I wanted something to happen at once. But as long as the political willingness to implement the world organization's decision with arms is lacking, we can do nothing but continue to negotiate.

[DER SPIEGEL] Was the hostage-taking not to be expected?

[Butrus-Ghali] Yes. The Serbs took several hundred hostages after a former air strike. That is why we warned them not to use force.

[DER SPIEGEL] Why did you not manage to convince the Americans, who demanded air strikes, of your reservations?

[Butrus-Ghali] I discussed my reservations with our UN generals in Bosnia and my special envoy, Akashi, at a meeting in Paris. I also explained to the Security Council members where I see our main task.

[DER SPIEGEL] What is this main task?

[Butrus-Ghali] First, we must achieve the unconditional release of the hostages. Then we should do everything we can to safeguard the presence of our ground troops in Bosnia. But, above all, we will have to renegotiate. The Bosnia problem cannot be solved with military means.

[DER SPIEGEL] How do you want to prevent the world organization from facing such a hopeless situation again before long? Should the UN troops make more use of arms?

[Butrus-Ghali] That is up to the Security Council to decide. In Bosnia, we have peace troops. Our mandate is to keep peace, not force peace upon people. If you want to change that, you need very different military equipment.

But we must regroup our units in any event to prevent such terrorist acts in the future. If the Security Council decides in favor of a combat mission, we are also in a position to do that. But we cannot expect our troops, who are equipped only for peacekeeping, to enforce UN resolutions with arms all of a sudden.

[DER SPIEGEL] Could the mandate be changed?

[Butrus-Ghali] Changing it would mean entering the war on one side or the other...

[DER SPIEGEL] ...as was the case in the UN mission in Somalia...

[Butrus-Ghali] ...which failed. If we decide on something like that again, we must do it the same way as we liberated Kuwait.

[DER SPIEGEL] But the European rapid reaction force will obviously be deployed without this principle decision that you demand. Is this not a continuation of the present zig-zag policy?

[Butrus-Ghali] Our position is completely clear. The reaction force can act only within the framework of the valid Security Council resolutions. But that is not the main problem. We must get the negotiations going again.

[DER SPIEGEL] How do you want to do this with neither of the two sides being prepared for it?

[Butrus-Ghali] Unfortunately you are right. At the moment, neither the Muslims in Sarajevo nor the Serbs in Pale seem capable of achieving a peace solution. That is exactly the barrier we have to overcome.

[DER SPIEGEL] Does that mean it is up to the two warring parties whether the United Nations finds a way out of the fiasco it has gotten into?

[Butrus-Ghali] The term "fiasco" is completely out of place here. After all, we have managed to take care of 2 million refugees and expellees. Our airlift of Sarajevo has already lasted longer than the Berlin airlift. Also, we have been able to confine the war to regions of the former Yugoslavia. Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] continues to live in peace, and the cease-fire between Croatia and Serbia, which we are monitoring, holds. You cannot simply ignore these successes.

[DER SPIEGEL] But the British and French, who make up the main part of your peace troops, seem to be searching for ways out of the Balkans at the moment.

[Butrus-Ghali] That is another problem, but it is not a fiasco. After all, London and Paris could say: We have gone to the limits of what is possible, but, because neither of the two sides is prepared for a solution, we will leave.

[DER SPIEGEL] Would that not be a failure?

[Butrus-Ghali] Why? The same thing happened in Beirut, when the Americans, the French, the Italians,

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and the British left the shaken city, when there was no hope left for a political solution. And the same happened in Somalia at the beginning of the year.

[DER SPIEGEL] But that has damaged the United Nations' reputation considerably.

[Butrus-Ghali] That is why we have to take the initiative, revive the negotiations, and perhaps establish a new forum for that.

[DER SPIEGEL] How are you going to safeguard the UN troops' security in the meantime?

[Butrus-Ghali] The member countries that have entrusted me with their soldiers are counting on me. If they get the impression that the United Nations does not take proper care of their soldiers' security, they will not provide any units for future missions. Peace is and continues to be the most important goal. But our troops' security is almost equally important.

[DER SPIEGEL] The negotiations on Bosnia have been going on for years. Is there a new approach now?

[Butrus-Ghali] I am convinced that we will find a solution. We just have to make much greater efforts to understand the parties' strategies and interests to achieve a balance.

[DER SPIEGEL] But the warring parties lack the will to make peace.

[Butrus-Ghali] I am sure we will find ways to make it clear to them that things cannot go on like that forever.

[DER SPIEGEL] Do you mean to say that the present flare-up of the fighting could bring the warring parties to reason?

[Butrus-Ghali] Correct. At some point, the opponents will realize that they can no longer pay for the war.

[DER SPIEGEL] Is a peace mission not bound to fail when the parties concerned are only trying to abuse the United Nations for their tactical civil-war targets?

[Butrus-Ghali] That is a problem that all peace missions encounter. And that is why it is so important for us to have a cease-fire agreement like the one that came into force on 1 January.

[DER SPIEGEL] But the agreement mediated by President Carter expired on 1 May...

[Butrus-Ghali] ...and that is why we cannot perform our role at the moment. We need a new agreement that establishes a framework for our monitoring mandate. That can be anything—a cease-fire, an agreement on slight territorial changes, accepting the status quo. All that would give us the chance to mediate from a neutral position.

[DER SPIEGEL] But that will not solve the conflict in the long term.

[Butrus-Ghali] No, apart from humanitarian aid for the population, this is just one dimension of our mandate.

[DER SPIEGEL] Do really all the warring parties have an equal share in the deadlocked negotiations? Are not the Serbian aggressors mainly to blame for the developments?

[Butrus-Ghali] That question is too academic for me. In negotiations, you will always have ups and downs. We are the catalyst in this process. We feed in new ideas.

[DER SPIEGEL] How do you see the talks continuing in specific terms?

[Butrus-Ghali] I am thinking of a new London conference. We would have everyone concerned at one table. That would give new impetus to the whole matter.

[DER SPIEGEL] Who decides about that?

[Butrus-Ghali] France, which holds the EU presidency at the moment, and I, the UN secretary general.

[DER SPIEGEL] For how long can these ups and downs in Bosnia go on without the world organization suffering irreparable damage?

[Butrus-Ghali] Our reputation does not depend on one single peace mission. Seventy percent of our tasks is development aid, working out international law, and similar things. We just brought together 118 heads of state and government in a summit in Copenhagen. Peacekeeping is only part of our work...

[DER SPIEGEL] ...an important one, though.

[Butrus-Ghali] Especially for you in Europe, because you are pressed for time in Bosnia. But this must not make you forget that we ended an almost 20-year civil war in Cambodia. In Mozambique, we managed to create the preconditions for electing a democratic government for the first time. In Angola, 6,000 UN troops are monitoring the end of the civil war. And in Haiti, UN troops are creating the conditions for free elections.

I could continue this list: Guatemala, Georgia, El Salvador, Afghanistan—these are all success stories that are not devalued by Bosnia. Anyone who wants to talk us into an existential crisis cannot see the forest for the trees.

[DER SPIEGEL] But some of these are obstructing the way.

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[Butrus-Ghali] Don't be so impatient. In Beirut, it took 15 years for peace to be restored. In Yugoslavia, we will not be able to achieve it at the push of a button.

[DER SPIEGEL] No country today is willing to wait 15 years for a peace solution; all the more so when its soldiers are dying on the battlefield as peacemakers.

[Butrus-Ghali] The population must, of course, also be prepared politically. If it takes 10 years to overcome cancer, you must accept that it might also take 10 years to overcome this conflict.

[DER SPIEGEL] How do you expect the world to learn this?

[Butrus-Ghali] Through this interview, for instance.

[DER SPIEGEL] Despite all the efforts, the killing in Bosnia might go on...

[Butrus-Ghali] ...true, true. Horrific crimes have been committed in this war.

[DER SPIEGEL] Has not the end of the Cold War completely changed the conditions for the United Nations' peace work?

[Butrus-Ghali] The Cold War played a role in some of these conflicts, but many have been based on ethnic principles like we have in Bosnia now.

Of course, the East-West conflict put such conflicts in a framework without which they are sometimes more difficult to tackle today. I think that the United Nations has coped quite well with the situation. Proof: At the time of the Cold War, we had only three peace operations. Today, we have 20. You can find us everywhere.

[DER SPIEGEL] Has this not long exhausted your possibilities?

[Butrus-Ghali] Not if the members provide the necessary means. We are not more than the total of our members: We borrow their soldiers, we use their experts, we have their diplomats working for us, and, after all, we live on their contributions. But of the 185 states, only 20 or 30 have transferred the money as required. Many governments do not seem to know what role the United Nations is to assume in the future.

[DER SPIEGEL] Do you, as secretary general, not have any influence on that?

[Butrus-Ghali] I was hoping that, by the United Nations' 50th anniversary, we would have managed to modernize the world organization—for instance, by burying the idea of an international policeman. Nobody wants to play it—and the United Nations is not in a position to do so, either.

[DER SPIEGEL] Mr. Secretary General, thank you for the interview.

UN Prosecutor on Investigation of Karadzic, Mladic

AU1306100795 Munich FOCUS in German 12 Jun 95 pp 232-233

[Interview with Richard Goldstone, chief prosecutor at the UN War Crimes Tribunal, by Jan Heidtman; place and date not given: "One Witness Can Be Sufficient"]

[FBIS Translated Text] [Heidtman] You are investigating Serb leader Radovan Karadzic and his military chief, Ratko Mladic, for, among other things, instigation to commit genocide and take hostages. Do you have enough evidence to indict them?

[Goldstone] We are in the middle of our investigations, which are likely to be concluded by the end of this year. We will then decide whether we will indict them.

[Heidtman] How much evidence do you need?

[Goldstone] One witness can be sufficient. The evidence only has to be watertight.

[Heidtman] If Karadzic is indicted, an international arrest warrant would have to be issued. Do you think this is politically feasible?

[Goldstone] Our powers are determined by a UN mandate. This includes issuing an international warrant for arrest.

[Heidtman] Does that mean that, if Karadzic goes to Geneva, the Swiss police would have to arrest him?

[Goldstone] They would have to do that.

[Heidtman] It is conceivable that a peace agreement would contain an amnesty for the Serbs. What consequences would this have for the tribunal?

[Goldstone] This would be irrelevant for us. As long as the mandate is valid, no amnesty can restrict the work of the tribunal.

[Heidtman] Do you fear that the UN Security Council could withdraw its support?

[Goldstone] We will investigate as long as the mandate for the tribunal exists. If the Security Council withdraws the mandate, I can do nothing but accept it.

[Heidtman] How many proceedings will be necessary to punish the crimes committed in Bosnia?

[Goldstone] We are not working with such an approach. We do not have a master plan. We are trying to find out who has committed crimes against humanity and has directly violated international law. In this process, we

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are concentrating on calling the leaders to account. But those who executed the orders will also be charged.

[Heidtman] Saddam Husayn's gas attacks against his own people, crimes against humanity committed by Argentina's military junta—these are only two examples that could have led to establishing a war crimes tribunal. Why has the United Nations decided for the former Yugoslavia?

[Goldstone] Several factors have coincided here. First: It happened in Europe. Second: The ethnic cleansing in the former Yugoslavia has brought back memories of the holocaust. Everyone thought that such a thing would never happen again in Europe. Third: The crimes in Yugoslavia have been documented in detail by the media. That has put the international community, particularly the United Nations, under massive pressure.

[Heidtman] Justice only for those who were also attacked on television?

[Goldstone] The tribunals are better than nothing at all. But it is unsatisfactory that politics should decide where a tribunal is established. We need a permanent court of justice to prosecute crimes against humanity and international law.

Former UN Spokesman on Contact Group's 'Fiasco'

LD1206163295 Belgrade TANJUG in English 1427 GMT 12 Jun 95

["Pool" item]

[FBIS Transcribed Text] Geneva, June 12 (TANJUG)—Former U.N. Spokesman Michael Willams told the Swiss daily LE NOUVEAU QUOTIDIEN on Monday that Carl Bildt, new E.U. mediator, had replaced David Owen because talks brokered by the 'Contact Group' for Bosnia had ended in a fiasco.

The Contact Group for Bosnia was set up early last year by Russia, the United States, Britain, France and Germany.

Williams, who is currently a member of the Institute for International Studies in London, said the Contact Group fiasco had created a chance for small, neutral countries to find a way to peace in Bosnia-Herzegovina.

Such a conclusion could be primarily drawn from Former E.U. Mediator David Owen's decision to resign from the office of co-chairman of the International Conference on the Former Yugoslavia, and his replacement by Former Swedish Premier Carl Bildt, he said.

Williams said the Contact Group had tragically wasted time in an attempt to secure a unity within the body, instead of directing its efforts towards bringing the warring sides to the conference table.

He said that, given the circumstances, he was confident that small countries, mediators, could give decisive contribution to putting the negotiating process back on its feet, as had been the case in Cambodia.

Williams said it was essential that the parties to the conflict believe in mediators' neutrality, and said the country he was coming from had no direct interests in the former Yugoslavia.

He deplored Switzerland's extreme restraint and caution, and said it should have offered its mediating offices instead.

Williams said the major problem in Bosnia at this point was that the warring sides had been left one possibility only—to turn to total war.

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Chirac Extends France's Desire To Cooperate

AU1006140295 Tirana TVSH Television Network in Albanian 1800 GMT 9 Jun 95

[FBIS Translated Text] Sali Berisha, president of the Republic of Albania, has recently received a letter from French President Jacques Chirac, who writes among other things: I would like to confirm France's desire to bolster the political dialogue and cooperation between our two countries in a prospect of Albania's progressive approach to the European Union. France will continue to support Albania in the road of reforms, which you have been committed to.

In his letter, French President Chirac responds positively to the invitation to come to Albania and expresses his pleasure over this visit.

Albanian Visas Costly for FYROM Citizens

95P20831A Skopje FLAKA E VELLAZERIMIT in Albanian 17 May 95 p 16

[Unattributed article: "Entry Visa for Albania—$25"]

[FBIS Translated Text] Tirana, 16 May (MAKPRESS)—As of today, citizens of the Republic of Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] will have to pay $25 for an entry visa to the Republic of Albania. The price of the visa has reverted back to the amount paid during the past three years. During the past three weeks, the price of a visa was reduced to $10 and officials in Tirana were expecting that the Republic of Macedonia would also reduce the price of a visa for Albanian citizens travelling to Macedonia.

After the price of the visa was reduced, the Albanians did not take any steps to sign a bilateral agreement which would govern the visa system. This was supposed to be one of the issues raised at the Gligorov-Berisha meetings in Pogradec and Ohrid. The Macedonians made such a move but no response has been received.

In the meantime, Macedonia has set the price of Macedonian visas by law. The cost is the same for citizens of all countries with which our country has established a visa system—90 denars at border crossing points and 10 denars at Macedonian embassies.

Citizens of different countries do not pay the same amount to enter Albania. For example, visas cost $11 for citizens of the Federal Republic of Yugoslavia.

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Visiting FYROM Delegation Discusses Balkans

AU1306065895 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 12 Jun 95

[FBIS Translated Text] The parliamentary delegation of the Republic of Macedonia [The Former Yugoslav Republic of Macedonia—FYROM], led by Tito Petkovski, member of the Alliance for Macedonia ruling coalition, which is visiting Bulgaria, met with the leadership of the Democratic Left parliamentary faction.

According to Mr. Petkovski, a common position transpired at the talks, in which Macedonia and Bulgaria want to be a zone of peace rather than a bone of contention in the Balkans.

At the meeting with Tito Petkovski, National Assembly Chairman Blagovest Sendov stated that Bulgaria will support Macedonia in its quest to join the Parliamentary Assembly of the Council of Europe.

Relations between Bulgaria and Macedonia must continue to develop at all levels. This was the common conclusion voiced by President Zhelev and the visiting Macedonian delegation after their meeting. Certain specific projects that affect both countries, such as the East-West transportation corridor, were discussed at the meeting. Mr. Petkovski thanked President Zhelev for the help that Bulgaria rendered Macedonia during difficult moments.

Vuchev Urges Industrial Cooperation With Russia

AU1206131795 Sofia TRUD in Bulgarian 7 Jun 95 p 9

[Interview with Bulgarian Industry Minister Kliment Vuchev by Bozhidar Dimitrov; place and date not given: "Military Industry Is Still Alive"]

[FBIS Translated Text] [Dimitrov] Mr. Vuchev, for several days now, Marshal Viktor Kulikov has been calling for a restoration of the ties between the Bulgarian and Russian military-industrial complexes. What is your assessment of his stance?

[Vuchev] This is a problem not only for Bulgaria and Russia, but for all the countries of Central and East Europe. Unless the former socialists countries continue their joint work, for example in the electronics field, they will sink even further. In the last five years, the West has shot far ahead, while the East European countries have closed down their mutual markets and are struggling to trade with third countries.

[Dimitrov] What will Bulgaria gain from turning back?

[Vuchev] This is not a turning back, but a return to the realities. Our industry was developed in conformance with our commitments to CEMA [Council for Mutual Economic Assistance] and the Warsaw Pact so as to serve a gigantic system. Over the years, we strove to become a major supplier of special products, and in the areas in which we succeeded, we created production capacities that were immense for the size of our country. Our military plants poured out products that exceeded our army's needs many times. For example, only 6 to 7 percent of our electronics output remained in the country; the rest we exported to the former socialist camp, to certain Arab countries, to China, and to India. With our arms exports to the USSR, we paid for the Soviet supplies for our army and for our oil and gas imports.

In 1990-91, our main market, namely East Europe, and the links between our military-industrial complexes were eliminated. If this market is restored, our military industry will also survive.

[Dimitrov] Where was the connecting link severed?

[Vuchev] At the state level. At the level of plant managers, economic organizations, and even ministries, we still have accords, and we can restart our joint activities at any moment. We have not cut our links with our old partners with whom we jointly developed products and carried out testing.

[Dimitrov] However, we do not trade with them, do we?

[Vuchev] The East European countries have not yet decided how to settle payments between themselves; they have not decided which banks they will work with, or how to ease customs regulations and facilitate transportation. Now special products, like other commodities, cost almost twice as much when they have to cross several borders on their journey eastwards or in another direction. I cannot understand why Russia includes Bulgaria on its list of most developed countries, which means that we pay the highest duties and fees.

[Dimitrov] Has our military industry been completely ruined?

[Vuchev] I would not say so. The lack of money has compelled us to reduce the number of new developments. We have continued work only on updating the products in which we specialized within the Warsaw Pact. We decided that we have to be ready to deliver weapons of a new generation to the same clients whom we supplied previously, because at some time our army and the other armies of the former socialist camp will, nevertheless, find funds. Over the last four to five years, new systems have been under development on a limited scale in Bulgaria and all the East European countries.

[Dimitrov] Have we any specialists left?

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[Vuchev] To some extent, they have left for different corners of the world, but we can recall them if we have a major project. Real designers and technologists are not found behind every bush. However, the real question now is that if we cannot product weapons and equipment in sufficient quantities to guarantee our plants' normal existence, we must at least retain our skilled cadres.

[Dimitrov] On what funds have our military plants been operating to date?

[Vuchev] They have been operating on credit. This year, for the first time, we allocated a little money for developing new systems.

[Dimitrov] Will we make new weapons by ourselves?

[Vuchev] We are seeking Russia's cooperation. Immediately following Mr. Chernomyrdin's visit, a delegation from the Russian military-industrial complex visited Bulgaria. We explained our views on jointly developing new automated systems, weapons, and equipment. If the Russians show interest, we will immediately sign an agreement.

[Dimitrov] Does this mean forming a joint company?

[Vuchev] We have several joint enterprises with Russia even now, and we intend to set up more. There are no obstacles to this from the legal viewpoint. What hampers the new structures is the problem of settling payments, the lack of banking links, and the old accounts outstanding between the armies and the industrial complexes. The Russian finance minister came with Chernomyrdin's delegation, and he noted down all these issues.

[Dimitrov] When do you expect an answer from Moscow?

[Vuchev] By the end of the summer, otherwise we will have wasted a whole year.

[Dimitrov] What will happen in the meantime?

[Vuchev] We have certain claims against our state leadership and the army. We have to make precise calculations; if we cannot maintain an army of 100,000, let us reduce it to 50,000, but let us modernize it. Its combat capabilities depend not only on its resources and strength, but also on its control systems.

Defense Industry Conversion, Profits, Exports

95BA0255A Sofia BULGARIAN BUSINESS NEWS in English Vol 5, No 19, 8-14 May 95 p 8

[Unattributed article: "Export To Double in 1995: Armament Factories Owe BGL 100,000 M"]

[FBIS Transcribed Text] Deals on export of defence industry production for some USD 420 million in 1995 have been signed by ordnance factories, Minister of Industry Kliment Vuchev announced. This is double last year's export of weapons, USD 210 million. The expected revenue does not include re-export contracts of commercial companies, Mr Vuchev noted.

In its best years, the defence industry used to bring the national budget USD 900 million annually, as well as several thousand million of transferable roubles.

To restore markets, the Bulgarian defence industry is counting on its products specialization within the defunct Warsaw Pact. Among its former partners, Bulgaria is a monopolist in the manufacture of munitions. The country is also specialized in production of marine and coastal radars. In addition, Bulgaria's factories manufacture armoured vehicles, firearms and artillery systems, optic electronics, laser equipment and radio sets.

Companies in the defence sector do business with a number of countries, excluding embargoed Libya, Iraq and the ex-Yugoslav republics, Mr Vuchev announced. The main purchasers of Bulgarian armaments are the ex-socialist countries, as well as countries from Asia, Latin America and, recently, Africa.

Insiders say that for the first time in the past five years, Russia is now ready to buy Bulgarian military electronics. Negotiations on restoring trade relations with the Arab countries are under way. Experts note that in 1991-1992 and, partly, in 1993, the ordnance factories hardly had any export deals. Last year, Bulgarian defence production was marketed even in the United States.

Prior to 1990, the defence industry employed some 160,000 people, down to half at present. After 1990, warehouses were glutted by unsaleable inventories. Experts claim that these inventories are currently estimated at BGL 4,000 million.

Conversion From Weapons to Electrical Appliances

Last year, the ratio between defence and civilian output of the 80 ordnance factories subordinate to the Ministry of Industry was 50:50. This year, the Ministry aims at increasing the share of defence production. Minister Kliment Vuchev underscored that certain factories are operating under capacity. For instance, the Pirel Plant of Gotse Delchev (Southwestern Bulgaria) used to make 240,000 radio systems annually until five years ago. In the past few years, output has plummeted ten-fold.

ECOEL, an enterprise for radioactive-isotope-based instrumentation in Pleven (North Central, Bulgaria), which is specialized in products for the nuclear power engineering, in electronic systems and is equipped with

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state-of-the-art precision tools, currently makes nothing but electricity meters and coffee grinders.

Former electronics manufacturer Shoumel of Shumen (Northeastern Bulgaria) is now producing cosmetic devices: air fresheners, epilators and blood pressure meters.

Munitions company Dunarit of Ruse (on the River Danube) opened a second workshop converted to civilian production last year. Dunarit and Italy's Armet are co-manufacturing office equipment and furniture on the factory's premises. The company's first converted workshop is for sports and hiking boots.

The Khan Krum Military Repair Factory in Turgovishte (Northeastern Bulgaria), one of the 12 under Ministry of Defence authority, has converted to motor car exhaust pipes.

Swap Deals To Cancel Debts

The major problem of arms manufacturers is an indebtedness of close to BGL 100,000 million, incurred mostly since 1991. In the past few years, the private Agrobusiness Bank of Plovdiv (South Central Bulgaria) has loaned military factories over BGL 1,000 million. The bank even signed a cession contract on the debt of one factory, but the Ministry of Industry called the deal off. Mr Vuchev says that defence industry enterprises will pay their debts back to that bank.

Rescheduling debts will be negotiated with other creditor banks. The Ministry of Industry is writing a proposal—on debt-for-equity swaps following the passage of the Exchanges and Securities Act—to banks that have granted loans to defence factories. This will raise the authorized capital of re-registered joint-stock companies, Mr Vuchev suggests. If the Government approves the proposal, Pirel of Gotse Delchev and ELCO of Kyustendil (Southwestern Bulgaria) will be the first to be transformed into joint-stock companies, experts believe.

Part of the debts in the industry have been incurred from credits for mobilization reserves and receivables from abroad. The Ministry of Industry is considering pre-1990 and post-1990 indebtedness.

This is due to the fact that a large part of the loans borrowed prior to 1990 were for investment, whereas 95 percent of the funds borrowed since has been for wages, purchase of materials and equipment, or conversion of production. Just BGL 1,000 million and some USD 180 million of the debts of armament factories have been settled under the Act for Settlement of Unserviced Debts, Negotiated Prior to December 31, 1990 via ZUNK (under the Bulgarian acronym of the Act) bonds. To save the defence industry, the Ministry is insisting that this Act be amended.

Receivables Are an Extra Burden on the Branch

Meanwhile, defence factories are owed some USD 28 million for deliveries to the ex-USSR. The factories have not received over USD 1,000 million in pre-embargo payments from Iraq. Under the agreement with Russia, signed by Deputy Prime Minister Kiril Tsochev a month ago, the Bulgarian Armed Forces have received spares worth approximately USD 23 million, but Bulgarian defence manufacturers have not got a penny from the delivery. The Ministry of Industry is considering the opportunity of assembling the spares in Bulgarian factories and subsequently selling them to the Forces. However, the 1995 National Budget does not have such an outlay, Mr Vuchev noted.

The Ministry of Industry's policy does not rule out privatization of defence factories, but Mr Vuchev is adamant that he will not let factories be sold piece-meal and workshop by workshop. The Ministry is weighing measures to recover public industry, especially restoring government quotas for enterprises. Military factories will likewise count on that to a large extent, in order to find their feet after a long financial crisis.

The 80s: The Golden Age

Experts say that the Golden Age of the Bulgarian defence industry was from the late 70s to the late 80s. Ninety-five percent of the defence output was reportedly exported in 1980.

At that time Bulgaria was one of the world's Top Ten exporters of defence production, according to informed sources. There are different versions about the proceeds from defence sales in that Golden Age. Some say that Bulgaria exported weapons for about an annual average of USD 2,000 million. They claim that in peak years such as 1985, proceeds reached USD 3,500 million. Others note that 1985 sales were worth USD 900 million, and still others name figures in the range of USD 5,000 million. Visiting the Khan Krum Military Repair Factory in Turgovishte (Northeastern Bulgaria) two months ago, Minister of Defence Dimitur Pavlov said that in 1987-1988 Bulgaria had been selling military and special produce for USD 4,500 million.

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Zieleniec Comments on Relations With FRG

AU1206152595 Prague RUDE PRAVO in Czech 7 Jun 95 p 1

[Interview with Foreign Minister Josef Zieleniec by Robert Dengler; place and date not given: "We Will Not Revise Our Legal Code"]

[FBIS Translated Text] [Dengler] Is there not an incongruity between the vocabulary and contents of the statements made by German and Bavarian politicians and your endeavor to reach a full stop—by gradual measures—in relations with the FRG?

[Zieleniec] I think that the things said at the Sudeten German Days are traditionally conveyed by means of a vocabulary different from the one we are used to in Czech-German relations. In my view, it is not absolutely necessary to comment on all of these utterings. On the other hand, I took note of the statement by Foreign Minister Klaus Kinkel, who said on 4 June that, in his opinion, a mutual agreement will be reached in a matter of weeks. These are serious words from the FRG foreign minister, and I am glad to hear this resolve on the other side.

[Dengler] Is this not a statement from an outsider who has had problems since he stopped being leader of the Free Democratic Party and has been drowned out by other politicians?

[Zieleniec] I will not comment on German domestic issues. For me, the foreign minister is a partner whose word holds true.

[Dengler] Bavarian Prime Minister Stoiber and Sudeten German Landsmannschaft Spokesman Neubauer have endorsed the demand for the Czech Republic to distance itself morally from President Benes's Decrees. Neubauer also expressed himself in favor of further steps. Could they ensue?

[Zieleniec] The limits of our relationship with Germany are known; they have been proclaimed publicly many times. We will not revise our legal code. No changes to the situation in our border region are being taken into consideration. So, it is necessary to view all of the suggestions of this kind as things not even worth talking about.

Klaus Denies 'Dispute' With Central Bank

AU1206135895 Prague LIDOVE NOVINY in Czech 9 Jun 95 p 3

[Interview with Prime Minister Vaclav Klaus by Eva Martinkova; place and date not given: "I Hope That Common Sense Will Prevail on the Railroad as It Has Done in the Past"]

[FBIS Translated Excerpt] [Passage omitted] [Martinkova] What is the nature of the dispute between the central bank and the government?

[Klaus] I would say that, in principle, there is no dispute between the central bank and the government. It has been exaggerated by certain reports in the mass media and by certain journalists, for example, by Mr. Polisensky from LIDOVE NOVINY. It is clear, by definition, that the central bank and the government have to place a somewhat different emphasis on economic policy, otherwise there would not have to be two institutions. It is clear that the central bank has to pay more attention to money and inflation, while the government has to pay attention to all of the other quantities, and these quantities are just simply one set of issues. [passage omitted] I think that this dialogue and different emphasis fall under the correct logic of the functioning of these institutions in a democratic society.

[Martinkova] After the abolition of the payments agreement, will relations between the Czech and Slovak Republics attain the level of truly normal relations between two neighboring states or will they still require some special regime?

[Klaus] An absolutely normal regime will come into effect, the kind of regime that applies not only between neighboring states, but between two states in general. Payments for trade will make their way from Slovakia in exactly the same way as payments from Austria and Poland and also from Mexico and Thailand. [passage omitted]

Zeman: CR 'Laundry for Europe's Dirty Money'

BR1206143195 Rome L'UNITA in Italian 12 Jun 95 p 14

[Interview with Milos Zeman, chairman of Social Democratic Party, by Stefano Polacchi in Prague; date not given: "SOS for Prage, 'The Mafia's Laundry'"]

[FBIS Translated Excerpt] *The Socialist International has set its sights on the East: The former communist countries are the "new frontier" of European social democracy. There, where the race toward the market increasingly resembles a forced march toward a "new capitalist dictatorship," the European reformist and social democratic forces are endeavoring to put together a political experiment reconciling free market, welfare safeguards, civil rights, and strategic environmental conservation. This is the new challenge launched by the SICEE (the Socialist International Committee on Central and East Europe), chaired by Italian Piero Fassino, in*

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Prague, where representatives of over 30 parties met to draw up a joint strategy on economic development in East Europe.

The first alarm bell has already rung: It is no mere coincidence that, while the citizens of the former communist countries were almost unanimously in favor of joining the EU immediately after the fall of the regimes, almost two-thirds now come out against it. And Fassino (PDS [Democratic Party of the Left] foreign affairs spokesman) calls on Europe to give proper answers: "The real way to prevent these countries from distancing themselves irrevocably and becoming a mere appendage for business deals for the few, is for the EU to set a definite date for expansion now, setting out a schedule of stages right up to full integration. This is what the International is calling for." [passage omitted]

[Polacchi] A few days ago, you brought about 100,000 people out onto the streets, and you are challenging Klaus for the June 1996 election. But, according to official figures, the economy is doing well, privatization has exceeded the 75-percent mark, and many foreigners are investing capital. How do you intend to beat your rival?

[Zeman] The fact of the matter is that the "voucher" system used here has concentrated the majority of ownership in investment funds, which means in the banks. But the state holds most of the banks: The citizen-owner is an illusion. The truth is that nothing changes that way, and the public carries no weight in decisionmaking.

[Polacchi] Yes, but what do you propose?

[Zeman] Our policy is to privatize according to a combined system in which a proportion of the shares would be publicly held and would be administered by qualified managers, and a proportion would belong to the workers themselves: a system adopted in the United States and Japan as well. A system that gives local authorities weight in strategic choices as well.

[Polacchi] Conservative estimates now put the level of "dirty money" and laundering at 15 percent of the GDP. However, Klaus has said that "pecunia non olet" [money does not smell]....

[Zeman] That is madness. The Czech Republic [CR] is turning into a laundry for Europe's dirty money. Klaus thinks that increasing the entry of dirty money boosts the economy. What I think is that it means handing the country over to the mafia, which is closely tied to a steep increase in political corruption. We need laws to curb corruption in public life and settle conflicts of interest, but there are none at the moment.

[Polacchi] Average monthly earnings are 7,000 korunas. However, the level of worker protest is not very high. How does a family make ends meet?

[Zeman] Our income level is one of the lowest. Families first sold their vouchers, then they gave up their savings, and now they are not spending on consumer goods. But these are not solutions. A new economic policy designed to improve economic performance and stabilize it over time is what is needed, not selling the country short.

Economic Posttransformation Phase Discussed

95CH0259G Prague EKONOM in Czech 17 May 95 p 19

[Article by Petr Wawrosz: "The Courage To Tell the Truth"]

[FBIS Translated Text] The Czech economy has entered its posttransformation era. In recent times, there are ever more frequent voices which say that not even this phase will be a simple one and that in it we shall encounter a host of unsolved questions. At random, it is possible to list the contention that coupon privatization created the prerequisites for true privatization, that securities will be bought up by strong owners, and that properties will change hands many more times. This is connected with difficulties in the capital market where the exchange rates have seen long-term declines and where there is talk of unresolved restructuring involving former state enterprises—talk that the process of their internal changes is virtually not taking place. From the macroeconomic standpoint, reference is generally made to the growing deficit in the current account as well as in the commercial balance; there is discussion about whether a wave of bankruptcies will take place and whether this should exert an influence upon the growth of unemployment.

I believe that it is necessary to admit that these questions do come up and that one should not stick one's head into the sand regarding them. The economy is an open system which is constantly developing, and it would be naive to expect that transformation will be followed by a pleasant road through paradise. The fact that reality is usually different is attested to by the periodically repeated difficulties encountered in industrial countries where, from time to time, they have to deal with an economic crisis. What is uniformly true here is that demand changes and that which was good yesterday need not be good today.

Courage to face the truth should exist at all levels. When the economic reform was being prepared and was beginning to be asserted, the government clearly stated what its objectives would be. Similarly, it should

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now be said, for example, how the state intends to proceed in privatizing the remaining enterprises. In recent times, for example, it appears that a number of those which were privatized through public competition or through direct sales are encountering difficulties. In many cases, these difficulties are purely logical. If such a hypothetical enterprise has an annual revenue of 1 billion korunas [Kc], owes the same amount of money, and has profits of Kc200 million, then it is generally natural for it not to be able to pay off these debts immediately. It is also no surprise that the enterprise would begin falling behind on taxes and on health and social insurance payments. The answer as to what to do with this is definitely not a simple one. The enterprise could be sold to an interested party which has an adequate amount of its own resources, which, given the restricted liquidity of Czech entities, is usually a foreign partner. Speaking against such a sale, as might be the case, for example, involving metallurgical enterprises, is the fact that this sale can be interested only in liquidating Czech competition. But if we decide, for any reason, to assign priority to interested Czechs, we must figure on the possibility that the debts will not be paid off and we must react to this situation adequately, perhaps in the form of debt elimination.

We can stay longer with privatization. In recent times, substantial quantities of views have surfaced calling the coupon method of privatization into question. Generally, it is clear that this method resulted in creating a tremendous offering, which was distributed virtually free of charge. This had to lead to today's decline in the price of securities. Nevertheless, I believe that at that time, precisely for reasons of inadequate domestic liquidity, there were not overly many alternatives. Although there was talk of the possibility of issuing employee shares, the specific results of the coupon method failed to confirm that people would prefer to hold shares in the corporations for which they worked. Rather than debating suitability, it makes sense to admit that the coupon method does not bring an end to anything, and once more react adequately to the situation. A specific step can be, say, a corporate decision to reduce the basic capitalization of an enterprise. When the enterprises were being value-assessed, the bookkeeping value of assets was generally taken to be the basis to which the shares were tied as liabilities. The market value of assets (machinery, installations, supplies, etc.) was frequently several magnitudes lower. We can, then, not be surprised that the price of securities is declining. Understandably, the decline would impact existing shareholders. However, the question remains as to whether it is sensible to place one's immediate interest ahead of the interests of the corporation where the valorization of corporation assets may be anticipated in the long run.

Even the management of individual corporations must find the courage to face the truth. For the present, frequently as a consequence of weak owners, management utilizes the situation. In some instances, management divides the enterprise from within to its benefit. We may condemn this kind of action, but from the economic standpoint it is totally rational. Wherever there is no effective control, there is always room for various types of abuse. But, again, it is necessary to see that this conduct can only be successful in the short run. It is not possible to totally dismantle every enterprise; it is not possible to anticipate that I shall constantly hold an advantage over others. If restructuring actually does not take place, it can be anticipated that the enterprise may get into difficulties. Although management can apparently be in the clear, it can have sufficient financial resources, the latter can, in case of a crisis impacting on a larger number of firms, have the character of worthless pieces of paper. Nevertheless, management should be clear about the fact that if it does not provide an adequate amount of quality information regarding its firm on a timely basis, it will hardly attract other investors and customers.

Thus, the current posttransformation phase will not be a simple one. On the other hand, however, it would be unnecessary to magnify the existing or any possible difficulties. We have succeeded, relatively painlessly, in mastering the first phase of the reform. If we find the courage to tell the truth, the posttransformation phase should develop to be equally overwhelmingly successful.

Skoda Delivers First Nuclear Fuel Containers

AU1206175995 Prague HOSPODARSKE NOVINY in Czech 9 Jun 95 p 2

[Article by "(vap)": "The Delivery of Containers for Dukovany Has Begun"]

[FBIS Translated Text] Plzen/Dukovany—The first of the 60 Castor 440/84 containers for spent nuclear fuel for the Dukovany nuclear power plant (EDU) were delivered yesterday by Skoda Nuclear Engineering Plzen. Its director, Vaclav Lobovsky, has told HOSPODARSKE NOVINY that the company will deliver an additional 14 containers to EDU by the end of this year followed by another eight next year. "We will be capable of manufacturing 20 containers per annum as of 1996," said V. Lobovsky. This order represents a total of 1 billion korunas [Kc] for Skoda. In this context, Skoda's spokesman, Karel Samec, has described the recent reports that the containers' trials to date were unsuccessful and that German firms will manufacture them as "absolutely false and misleading." The approval procedure in

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the FRG has been completed and the containers should obtain an operating certificate soon.

The head of the Dukovany intermediate storage project, Rudolf Beck, told HOSPODARSKE NOVINY that the building for the intermediate store has already been completed and that the approval decision will be made in the next few days. The delivery of the 60 containers—which will be completed in 2005 at the latest—necessitates an investment of Kc1.3 billion.

Zbrojovka Brno Firm Expands Arms Production

AU1306122295 Prague HOSPODARSKE NOVINY in Czech 9 Jun 95 p 6

[Article by Ales Rihacek: "Zbrojovka Brno Is Returning to Special Production"]

[FBIS Translated Excerpt] Zbrojovka Brno is returning to its traditional line of business from 40 years ago—special weapons production. Today, the production of hunting and sporting weapons represents half of the company's sales, while, earlier, tractors and their engines (in the 1950's and 1960's) and later calculation and office equipment (in the 1970's and 1980's) were the dominant products manufactured there. "We view the return to special production as a commitment to the Zbrojovka name and tradition," says Rostislav Levicek, the company's marketing director.

In connection with expanding arms production, the company's management is orienting itself toward adopting new products. Last year, the company commenced negotiations with well-known global arms manufacturers—the French GIAT Industries company and the U.S. Remington Arms Co. In both cases, the issue also involves weapons for armed units, and Zbrojovka intends to apply for state orders for their utilization in the Czech Republic. Thus, apart from sporting and hunting weapons, it will expand its output to include military weapons.

In the case of the Remington Company, production of an automatic shotgun is planned. It is not purely a special weapon, but the U.S. police use a modified version of it. Agreements have already been signed on keeping economic and technical information confidential, and Zbrojovka has obtained basic know-how from the Remington company. At first, the weapons should be assembled in Zbrojovka from imported parts; later these should be replaced by domestically produced parts. The planned output is in the order of 10,000 units per annum. The current annual output of all of the weapons in Zbrojovka is 15,000 units. Production of the modern NATO 5.56-mm caliber assault rifle for army purposes—the Famas G2—should commence with GIAT Industries.

The company's turnover in 1994 was 564 million korunas [Kc] and its exports to 46 countries accounted for 45 percent of this. Of these exports, 90 percent were represented by hunting and sporting weapons. Net profit amounted to Kc26 million. More than Kc19 million will be used to reduce the Kc200-million loss of 1993, which was caused by the company's transformation and privatization. [passage omitted]

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Battalion, MiG-29's Allocated for NATO

AU1306124695 Bratislava SMENA in Slovak 10 Jun 95 pp 1, 8

[Article by Frantisek Kasicky: "We Offer One Battalion and Two Air Squadrons"]

[FBIS Translated Excerpt] Brussels—A working meeting of the North Atlantic Cooperation Council (NACC) was held in NATO's Brussels headquarters yesterday. The Slovak Republic was represented at the meeting, which was attended by 42 countries, by a military delegation headed by Defense Minister Jan Sitek. [passage omitted]

"We understand the Partnership for Peace [PFP] and proclaim this also in our defense doctrine as a step toward the further reinforcement of relations between NATO countries and their Central and East European partners that will lead to our full-fledged NATO membership," Defense Minister Jan Sitek stressed in his speech. As of 1996, the Slovak Republic will allocate for cooperation with NATO, within the framework of its participation in the PFP planning and evaluation process, one reinforced mechanized battalion and two squadrons of aircraft for peace operations. The reinforced mechanized battalion is currently being formed as a rapid deployment force and will be ready for operational use by the end of 1996. The MiG-29 aircraft that will be available by the end of 1996 will be capable of deployment within 10 days of their being requested. [passage omitted]

Kovac Denies Leaving Church, Renouncing Religion

AU1206131695 Bratislava SME in Slovak 9 Jun 95 p 2

["Statement" by President Michal Kovac]

[FBIS Translated Text] I have learned that reports are being spread among the public that I left the church under the previous regime or that I renounced religion for the sake of my career.

I declare that I have never left the church, nor have I ever renounced religion for the sake of my career. The dissemination of false reports of this kind comes from the well-known workshop of the president's adversaries.

[signed] Michal Kovac, president of the Slovak Republic

Schenk: TV Is Not for Party Propaganda

LD1206193195 Bratislava STV 1 Television Network in Slovak 1730 GMT 12 Jun 95

[FBIS Translated Text] Today, Foreign Affairs Minister Juraj Schenk visited Slovak Television. Schenk said there was a positive shift in the cooperation between the TV station and the Foreign Ministry. He also announced concrete steps aimed at improved presentation of Slovakia abroad and offered to assist foreign correspondents establishing themselves in Slovakia. Among other things he said:

[Begin Schenk recording] What I want to present or what I would like to stress is not the pushing through of any political party's interests, and I stress of any political party. It is the pushing through of Slovak foreign political interests as a country, the pushing through of the government program. [end recording]

Daily Views Meciar's Privatization Model

AU1206152795 Bratislava NARODNA OBRODA in Slovak 9 Jun 95 p 3

[Commentary by Ivan Samel: "Killing Seven Birds With One Stone"]

[FBIS Translated Text] The government has decided to abolish coupon privatization and throw to the public a new alluring bait. The novelty has been given the name new coupon privatization. Only it has nothing in common with coupons—that is, with the citizen's own decision for which shares he will exchange his coupons. It only involves the replacement of the registered coupon book with a National Property Fund [FNM] bond.

And it has even less in common with privatization. By obtaining the bond, the citizen does not acquire any share in any specific property. At best, the citizen will get a few thousand [korunas] from the proceeds of privatization as a reward for not poking his nose into it.

Property with an aggregate book value of over 200 billion korunas [Sk] is to be included in the current privatization package. Judging from privatization thus far, there exists no guarantee that this property will be transferred into private hands for this or, God forbid, a higher sum. The well-known cases of consideration of future investments when assessing privatization projects (investments which are inevitable anyway) and sales to predetermined buyers justify doubts about this. And, under the present system of installment payments, only 10 percent of even this advantageously set price needs to be paid "in hard cash." The rest is spread out over up to 10 years. Given these conditions, will the FNM

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be able to meet the liabilities arising from the issuance of the bonds? After all, the FNM is insolvent already.

The bonds are to bear an annual interest equivalent to the discount rate (the interest rate that the National Bank charges other banks for loans extended to them) which currently amounts to 11 percent. Incidentally, if the citizen deposited his Sk10,000 in any commercial bank for a fixed term, he would undoubtedly make more money.

Over a period of five years, the FNM might receive the sum of around Sk120 billion in installment payments. The fulfillment of financial obligations stemming from the "new coupon privatization" will require in this period Sk35 billion directly, plus another approximately Sk3.8 billion annually (assuming that the inflation rate and, hence, also the discount rate, remain at their present level). Altogether, Sk55 billion will be needed. Compared with other institutions incapable of fulfilling their obligations, the FNM has one specific feature: It cannot go bankrupt. In this case, should the citizen's bond not be repayable after five years for reasons of the FNM's insolvency, the citizen could be issued another interest-bearing FNM bond. The vision of the citizen getting into his hands real money could be moved into a very remote future in this way. Another aspect of the bonds' redemption after five years, regardless of how the citizen will dispose of them, is the question of the consequences of Sk35 billion entering the monetary system all at once. A sudden growth of purchasing power of this magnitude would undoubtedly create strong inflationary pressure. [Deputy Prime Minister] Sergej Kozlik countered this argument with the words: "Direct sale will be limited in a certain way." Well, then: Will the bonds be redeemed within the proposed period, or not?

Vladimir Meciar indicated some of the operations for which the citizen could use his bond. He spoke about supplementary insurance or about buying one's apartment. It is questionable, however, whether communities, for example, will accept promissory notes, about which it is very uncertain whether they can be cashed when they are due. Nevertheless, by giving life to the idea of the coupon method [talonova metoda], the prime minister has made an ingenious move, managing to kill several birds with one stone. He has eliminated the problem of having to set aside property for coupon privatization. The whole package of property has remained intact and can be disposed of according to the prime minister's own discretion. He has side-tracked the referendum for a just coupon privatization because coupon privatization has actually ceased to exist. He has guaranteed the absolute concentration of capital in suitable hands. He has eliminated independent capital groups in the form of investment funds. And he has given citizens the vision of real money, which, though problematic, is an ingenious political move.

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Mecs Discusses Civilian Control of Military

95CH0236A Budapest MAGYAR HONVED in Hungarian 21 Apr 95 pp 4-6

[Interview with Imre Mecs, chairman of parliament's National Defense Committee, by Attila Kovacs and Gyorgy M. Toth; place and date not given: "We Asked the Chairman of the National Defense Committee: Does Civilian Control Work?"]

[FBIS Translated Text] *We reported in our previous issue that parliament's National Defense Committee dedicated an entire agenda to everyday issues of interest groups of the armed forces. At least as far as the military circles are concerned, these everyday issues elicit as heated debates as the parliament committee meeting did when dealing with the same issues. More precisely, committee meetings; for last week—almost as if continuing the earlier debate—legislators, defense portfolio representatives, and attending HODOSZ [National Federation of Defense Workers] leaders had to clarify nothing less than the issue of whether the HM's [Ministry of Defense] well-known measures of downsizing were introduced in the spirit of the Constitution, the national defense law, and other statutes that are related to unions. (Our report on this is on page 7.)*

We interviewed Imre Mecs, chairman of the National Defense Committee, on this subject.

[Kovacs-Toth] Mr. Chairman, are you glad that you were able to exercise civilian control during the last two meetings? Be that as it may, do you surmise from what happened that civilian control over our national defense forces does work?

[Mecs] As far as exercising civilian control is concerned, those two meetings no doubt served as examples. But the main point here is not personal feelings, not being glad. Our country is going through a very difficult period, and it is really hard to say good-bye to respected people and long-time colleagues. Unfortunately, all this is necessary, and not only because of the 12 March stabilization directives.

It has become clear even earlier that a much smaller army, using a lower number of public employees, would be created within the framework of the armed forces reform. A drastic reduction of the number of civilian employees is part of our long-term plans, for the ratios between the various categories of the Hungarian National Defense Forces personnel are not good. There are too many public employees, and too few noncommissioned officers. These ratios must, therefore, be improved in time; the government's directives merely brought forward the implementation of related tasks.

The National Defense Committee is paying close attention not only to have these directives implemented within legal limits, but also to consider, as much as possible, the family circumstances of those affected. For my letter to the ministry, i.e., the five questions I raised in it (These questions were published in our previous issue. The Ed.) were directed to the issue as to who in the army will be affected by these directives, and to what extent these directives will affect the operation of our national defense forces. For me, too, one of the most important questions is how the soldiers' families will be affected by these directives, for many family members work in the national defense forces as public employees. These are, then, very complex questions and we have also listened to union representatives for the purpose of clarifying them. Indeed, we have also asked the ministry to consider their views as well.

[Kovacs-Toth] Indeed, you have also asked them to reconcile with the HODOSZ...

[Mecs] Yes, that too. There is a lot of hurry regarding the government directives. This does not mean that reconciliations and deadlines can be ignored. We have called the attention of the executive branch to that as well.

[Kovacs-Toth] On the basis of the two committee meetings, who do you think is right? Presumably, it is not easy to pass judgment, especially because, for instance, the necessity of downsizing is debated neither by the representatives nor the union people; what is debated is the solution.

[Mecs] I could say that I would start from the furnace, i.e., from the issue of implementing civilian control: a democratic civilian control.

In this regard, parliament has most of the authority and responsibility. For this reason, the Constitution and the national defense law provide for complete civilian control over the military—and this has been corroborated by the Constitution Court's decisions as well.

The national defense law requires, on the one hand, that parliament determine the size of our army, item by item and, on the other hand, that every draft directive that affects more than a thousand persons be first presented to the HB [National Defense Committee]. In this case, this did not happen because of a problem in interpretation, it seems. Namely, the ministry thought that it had satisfied the requirements of the law, since the debates on the concepts regarding the armed forces reform have been going on in our subcommittees, as well as main committees for weeks and, moreover, the minister mentioned several times that the number

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of public employees must be reduced. And since the statutes allow various interpretations, the HB decided to issue its own exact interpretation.

The main aspect of our interpretation is that a draft—I emphasize: a draft—of any such directive that elicits a debate must be presented to the HB in due time and in adequate detail so that the committee members can properly discuss it; and, so that the HB can take measures if it finds it necessary. This was not possible at this time. Thus, we are now working on this decision on the interpretation, and will approve it at our next meeting. I want to emphasize that we are working on the exact wording jointly with, and under the leadership of the ministry, for we actually want to set a legal precedence.

[Kovacs-Toth] So the point is that your committee and parliament do not want to interfere with the professional activity of the executive branch—the Defense Ministry in this case.

[Mecs] In this regard, the Constitution Court's interpretation is crystal clear. Clearly, the administration is responsible for supervising operation. On the other hand, parliament and the president are responsible for complete control over the army. Thus, we do not wish to interfere with operation even though, quite naturally, we do supervise it as well. But supervision does not, cannot, mean direct control!

[Kovacs-Toth] When we say that the ratio between the various personnel categories is bad and we bring examples, say, of western countries, it amounts to nothing but a mere acknowledgment that our situation is different from, say, the Bundeswehr. Obviously, changing the ratios is not a question of mathematics, for we must adapt, first and foremost, to the concrete tasks of our national defense forces. In this regard, do you also agree with the planned changes?

[Mecs] In this regard, the responsible leaders of the army and the ministry must be the ones to determine the operation and combat readiness. And they must also determine how the material resources needed for the downsizing are provided. For we know that we are dealing with people who have been working there for a long time and that they should receive sizable severance pays which, obviously, is a real burden on the budget.

Another problem in the interpretation, which has been raised, is that Hungary's budget system is not detailed enough. It is unlike that of western states, say, of Germany, Netherlands, or the United States, where items such as two secretaries or twenty officers are also specified. At the same time, the national defense law requires detailed itemization, i.e., parliament must determine the size of our armed forces, in detail, as I have already mentioned. The third problem is that the distribution of Hungary's labor force is very bad. There are way too many public employees and too few employees in productive areas. For this reason, the number of public employees—including the national defense forces as well—must be reduced. This reduction may happen drastically, but it may also be carried out considerately. For instance, by not filling vacancies resulting from people leaving, retiring, going into early retirement, or requesting transfer, etc. Thus, it makes a great deal of difference in the way one or another important, hard, and bitter measure is implemented.

[Kovacs-Toth] At the committee meeting, three representatives of the opposition presented a proposal, the essence of which was that the HM should retract its existing measures related to downsizing. But the HB voted down this proposal. How do you evaluate what happened?

[Mecs] The National Defense Committee is perhaps the only parliamentary committee where generally there is a consensus. The reason is that national and security interests are above party interests. Although party politics also play a role, for various concepts, attitudes, and interests exist, which must be represented. Thus, from time to time, we have complete consensus, but again, from time to time, opposition party or the government party attitudes come to the surface. In this regard, the problem was that the opposition used its otherwise justified criticism for attacking the administration, i.e., it wanted to have the executive branch condemned in a resolution. We, who are on the side of the government party, could not be partners in this. At the same time, we agreed that this problem must be resolved, and this is why we finally jointly agreed—as I have already mentioned—to issue a resolution on the interpretation. But it must also be frankly stated that we want to set an example for strengthening civilian control.

[Kovacs-Toth] During the past weeks and months, you hosted many West European diplomats. Your guests repeatedly raised at the meetings the issue of civilian control. One has the feeling that people in West Europe are obsessed with this issue. Do you think that they are justified in putting so much emphasis on this question in connection with Hungary and our NATO membership?

[Mecs] Their starting point—not only in connection with Hungary but in connection with all former Warsaw Pact countries—is that dictatorship ruled in these countries for decades and, consequently, the democratic institutions that control the armed forces could not develop. On the other hand, we in Hungary think that no such problem of principles exists, for the constitutional

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amendments worked out at the round table negotiations provided parliament with extraordinary powers of control. It is unparalleled in Europe that a majority vote of two-thirds is required in parliament just for a single soldier to leave Hungarian soil or for another country's soldier to set foot on Hungarian soil. This is an extremely important element of guarantee. Parliament is the foremost repository for this and, for this reason, the National Defense Committee, which is, in this regard, parliament's body for preparing and controlling decisions, must exploit this to the fullest. We always emphasize at our lectures and meetings abroad that the institutions of civilian control are very strong in Hungary. However, the way in which these institutions are filled and operated, depends on the players, and this is what must be concentrated on in practice. However, there is much to be done in this area.

[Kovacs-Toth] This is obviously related to the fact that HB's draft statute was repeatedly brought up at your meeting last week.

[Mecs] The new house rule requires that the areas of operation and responsibilities of each and every committee must be precisely codified. This, i.e., the statute, is now on the drafting board.

[Kovacs-Toth] Taking the present meeting as your starting point, what would you like to see in this statute?

[Mecs] Our decision on the interpretation will also be included in that document, but will only constitute a part of it, for the National Defense Committee must deal with national defense as a whole and with every issue of security that involves national defense. This means that [the committee] must be in contact with several portfolios: not only with the Defense Ministry, but also with the Ministry of the Interior as well as with agencies working under the office of the prime minister; it has contact with the minister who supervises intelligence, and—indirectly—with the National Security Cabinet. All this must be carefully written down, specifying at the same time, what responsibilities the committee has with regard to the supervision of intelligence. This is an extremely important document and, for this reason, we wish to be careful [with it]. Accordingly, we requested the documents of the houses of representatives and defense committees of the German Federal Republic and the United States, among others. [After] considering all this, our statute will be completed within two weeks.

[Kovacs-Toth] There will no doubt be a narrow path to separate the authority of the committee and parliament from that of the administration.

[Mecs] In essence, the operation of the entire government machinery is approved by parliament. The number of teachers teaching in a school depends, in the final analysis, on parliament's decision but, still, it is the Ministry of Culture or the local government that makes the appointments of teachers. I have already mentioned that West European budgets are much more detailed than ours and, consequently, the things to be done are defined much more precisely. Therefore, any deviation is much harder to implement than in Hungary. Fact is that ministers and the prime minister in Hungary can determine how much can be reallocated within a budget item. I think this must be tightened up, although this is a job further down the road.

In studying the material from abroad, it is apparent that defense committees have special powers in every country. For example, in the German Bundestag the defense committee can send out an investigating team at any time and without any special authorization. Well, the lessons must be compiled and put in the statute in a consistent manner.

[Kovacs-Toth] Returning to our concrete subject: how can the National Defense Committee help the portfolio in actually receiving the funds needed for severance pays?

[Mecs] The following way, for instance: although we did not invite representatives of the Ministry of Finance for this agenda, the portfolio's experts were present, nevertheless, and we asked them immediately how they intended to provide the necessary funds. They told us—although not too convincingly—that it will be taken care of in the supplementary budget.... We will pay very close attention to this, for we cannot allow the extra burden of the dismissals to be carried by those who are not dismissed—or by the army as a whole or the portfolio as a whole. An adequate central fund must be set up for this. This is also part of the control function. We are not lobbying for the army; instead, in the interest of our country, we are trying to implement an equitable process.

[Kovacs-Toth] Aside from the money, what else is there that makes you pay attention to the process of downsizing? Will you come back to your warning of the portfolio that it should conduct reconciliatory talks with the union?

[Mecs] We will come back to that. We have a subcommittee, number 3, which has precisely the responsibility of controlling the executive branch and the measures of the executive branch. But, if necessary, the main committee will also take up these subjects again.

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Nagy Denies More MiG-29's Coming From Russia

LD1206155395 Budapest Kossuth Radio Network in Hungarian 1000 GMT 12 Jun 95

[FBIS Translated Text] Although it sounds good, it is only a hoax: The Hungarian army will not receive further 22 MiG-29 Russian fighter planes as a repayment of Moscow's debts. Referring to the world's number-one military newspaper, this was reported by one of the Hungarian dailies.

There are already MiG-29's based in Hungary, more precisely in Kecskemet, and according to our information, there have already been serious problems with spare part supplies for these aircraft. Attila Peter Nagy reports:

[Nagy] The news published in today's issue of KURIR is likely to be based on a misunderstanding. According to [Defense Ministry official] Lieutenant Colonel Lajos Nagy, there is no question of Russia repaying its debt of $800 million by delivering further aircraft, although it would indeed be necessary to replace more than the 20 aircraft which have become obsolete.

The Defense Ministry official confirmed again that, in accordance with original plans, the Hungarian army will receive traditional arms, among them armored vehicles, in return for the Russian state debt.

Impact of Trade Embargo on Country Examined

95CH0234B Budapest HETI VILAGGAZDASAG in Hungarian 22 Apr 95 p 24

[Unattributed article: "The Embargo and Hungary"]

[FBIS Translated Text] "I don't care about the embargo. It has no effect, and the neighboring states have no motivation to keep it," a Hungarian trade specialist burst out the other day at a Budapest conference; in his opinion, it would perhaps not be tempting God if Hungary carefully resurrected border traffic with "Small Yugoslavia." It is suggested that in the region which extends 50 km on both sides of the border, inhabitants with special licenses would be permitted to take across the border goods worth a multiple of the currently allowed $100 per person per occasion. Indirect statistical data indicate that each year approximately $500 million worth of goods are transferred from Hungary to "Small Yugoslavia," and this amount could presumably be increased considerably. The threads of the "gray" and the "black" markets are concentrated in the hands of the Serb mafia, and thus, the possibilities afforded by the potential relaxation of the embargo would be utilized primarily by organized crime, but at least the latter would go through Hungarians in Hungary and Vojvodina, according to the specialist who broached the idea of resuscitating border traffic.

Preliminary calculations by the Ministry of Industry and Trade [IKM] indicate that from the middle of 1992 until now, Hungary suffered a direct loss of approximately $2 billion in consequence of the UN sanctions against Yugoslavia. (Romania mentions a loss of $6-7 billion, and Bulgaria, $3-4 billion, but they include the loss of profit, as well, which is known to be an uncertain factor.) "We complained to our Western partners innumerable times that we were behaving well in implementing the embargo, but in the meantime, we were going bankrupt," a leading government official said at the same conference; "they replied every time that we should remain good boys, but we would not receive a penny."

"Still, Budapest cannot deviate from the prescriptions of the UN sanctions. If we relaxed the embargo on our own initiative, Hungary's integration into Europe would be threatened," Judit Kovessi, department head at the IKM told HETI VILAGGAZDASAG. In the current system, only food, medicine, and "basic necessities" (such as toiletries and baby articles) can be exported to Yugoslavia. Exporters must first apply to the IKM, which requests permission from the UN sanction committee in New York, but only for articles which have a chance to begin with; consequently, the rejection rate is no more than 10 percent.

"Many people tried to convince me to ask permission from the UN for some suspicious deals of theirs. A Serbian businessman threatened to kill me, and another one said that if I did not submit his request, I would never see my children alive again. Hungarians tend to offer money instead, but of course I did not give in to them, either," Judit Kovessi related a few of her unpleasant experiences. She thinks that her severity scared away a considerable number of people who intended to whitewash their black exports.

Otherwise, Hungarian exporters have no reason to complain, because they received 17 percent of all export permits to Yugoslavia worth altogether $1.5 billion (only Bulgarians can boast similar figures, but of those, only $27 million worth of exports were realized). Seeing the success of some of their colleagues, businessmen get excited about the possibilities of the alluring sanction market, Judit Kovessi explained, but they soon realize that the Serbs are rather impoverished and there is little effective demand in "Small Yugoslavia."

Only three Hungarian companies of the earlier 22 maintain legal agencies in Belgrade: Mineralimpex, which supplies most of the diplomatic bodies with fuel, Raba, which provides warranty services for trucks it had sold earlier, and Videoton; apart from these companies,

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Malev and Mahart also have registered offices. In view of the UN sanctions, agencies, affiliated companies, or even bank accounts of legal persons from "Small Yugoslavia" cannot be maintained abroad, and thus not in Hungary, either, but it was relatively simple to go around this limitation by transferring everything to private persons. Yugoslav private persons have founded several thousand companies in Hungary in recent years, and their bank accounts are estimated to contain several hundred million dollars.

There are Clubs of Yugoslav Businessmen in London, Paris, and Moscow. A similar organization called Association of Hungarian-Yugoslav Businessmen was formed in Budapest, but at most two dozen Serbian and Crna-Goran businessmen were present. Sources familiar with the situation claim that the rest were absent because they were afraid that the Serbian secret service would like to map their activities in order to "tax" them.

Court Bans Alliance of Eastern Front Comrades

LD0906214195 Budapest Kossuth Radio Network in Hungarian 2000 GMT 9 Jun 95

[FBIS Translated Text] The Alliance of Eastern Front Comrades [Keleti Arcvonal Bajtarsi Szovetseg] has been banned.

In January this year, the chairman and a member of the group set fire to the arc of covenant of the Debrecen synagogue, burning to ashes several highly valued Torah rolls.

The Hajdu-Bihar County Court explained its ruling by saying that the Paris Peace Treaty forbids the operation of fascist-type organizations in Hungary. Only a few days ago the group held a protest demonstration on the 75th anniversary of the Trianon Treaty.

Immediately after the announcement of the verdict, the chairman of the alliance said that, should the Supreme Court uphold the ban, the group will form a new organization.

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Izetbegovic on RRF, UNPROFOR, Embargoes

MM1206141095 London AL-SHARQ AL-AWSAT in Arabic 12 Jun 95 p 4

[Interview with Bosnian President Alija Izetbegovic by Samir Hasan in Sarajevo; date not given]

[FBIS Translated Text] [Hassan] Mr. President, what is your position on the recent formation of the multinational rapid reaction force [RRF]?

[Izetbegovic] We are not against that force. However, we cannot make a judgment before the following three aims are achieved: to protect humanitarian aid convoys, to protect the safe areas, especially in east Bosnia, and to open Sarajevo airport. But I would like to stress that this force should operate under a UN cover or after reaching an agreement with our government, because we are a sovereign, independent state. We will not allow anyone to violate this sovereignty.

[Hasan] Do you believe that the international forces can offer more to Bosnia?

[Izetbegovic] The UN forces' presence or nonpresence in Bosnia is the same. It is better for these forces to leave Bosnia. We do not want international forces that come to defend themselves in our country. We want someone to defend and protect us. We do not want international forces that threaten to withdraw from time to time then backtrack merely to safeguard the interests of the states to which these forces belong.

[Hasan] What about NATO?

[Izetbegovic] The main problem is that NATO makes a move only at the request of the international forces' command, which consults with the UN envoy, who in turn takes orders from New York. More victims fall during this red-tape process.

Nearly a month ago we asked NATO to intervene following the intensive Serb bombardment of Sarajevo. But UN envoy Yasushi Akashi told Hasan Muratovic, Bosnian minister for UN affairs, that it is better to wait so that NATO's intervention would not hamper NATO's efforts to extract a recognition of Bosnia from Serbian President Slobodan Milosevic. However, these attempts failed, and the bombardment continued. But we were surprised by NATO's intervention and its subsequent backtracking because the Serbs held some soldiers from the international forces as hostages. The puzzling question: Is that huge military alliance unable to deter a gang of Serbian extremists?

[Hasan] How confident are you vis-a-vis the solutions proposed by NATO and the EC recently?

[Izetbegovic] I have more confidence in my army than in any political resolutions or steps adopted by the international community. All solutions still have not be achieved. They have had no positive effect. Besides, these solutions do not offer a just solution. They have not lifted the ban imposed three years ago on the legitimate government's arms imports, while the Serbian rebels continue to be supplied with weapons by Belgrade through the international observation points under the eyes of the international forces.

[Hasan] What efforts are you making now to lift the arms embargo imposed on your country?

[Izetbegovic] We are doing all we can politically and diplomatically to secure international support. Prime Minister Haris Silajdzic will continue his attempts with the U.S. Administration. And Ejup Ganic meets continually with all ambassadors to Bosnia. And our army is assuming the task of arming Bosnia following its recent success in seizing a large quantity of weapons from the enemy. However, we will not cease to demand our right to import arms.

[Hasan] Do you expect Serbian recognition of Bosnia's independence?

[Izetbegovic] We are in no rush to obtain such recognition. We are ready for it, but without a heavy price that would exhaust our policy.

[Hasan] And do you agree to the lifting of the sanctions imposed on Serbia?

[Izetbegovic] Provided Serbia recognizes Bosnia's independence. However, the international community must not lift these sanctions fully, especially [the embargo] on strategic commodities such as oil.

'New Peace Conference on Former Yugoslavia' Seen

Ganic: Conference 'Unacceptable'

LD1106220495 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 2000 GMT 11 Jun 95

[FBIS Translated Text] Bosnian Presidency member Ejup Ganic was interviewed by Bosnia-Herzegovina TV this evening. Commenting on UN Secretary General Butrus-Ghali's interview in Germany's DER SPIEGEL, in which Butrus-Ghali mentioned a new peace conference on former Yugoslavia, Dr. Ganic said:

[Begin Ganic recording] Above all, Mr. Butrus-Ghali has forgotten that the international community has agreed on a plan, the Contact Group plan. It is a result of lengthy talks and negotiations [words indistinct]. It is unacceptable even to mention a new conference until

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this Contact Group plan is implemented. We cannot ignore what the international community, its five leading states, achieved during the talks. Therefore, if someone followed Butrus-Ghali's current ideas, that would be a way to let Karadzic rejoin and return to the international negotiating team [word indistinct].

The Contact Group plan is on the table. When the UN Security Council, the United Nations, and so forth, say something that is contrary to the Contact Group plan, a question arises if the international community has the credibility needed to organize a new conference.

To put it briefly, Butrus-Ghali's idea is unacceptable. We have the Contact Group plan [words indistinct]. Every departure from the plan is a way to create a vague situation and to postpone the resolution of the crisis. This would make Karadzic think he can hold on to the occupied territories [word indistinct]. Butrus-Ghali's idea is unacceptable. [end recording]

Here is how Mr. Ganic reacted to the recent American Congress vote for lifting the arms embargo on Bosnia-Herzegovina and to President Clinton's first reaction to it.

[Begin Ganic recording] We have been working persistently with the American Congress. The Congress represents the supreme body; it is the legislative authority of the United States of America. This supreme legislative authority has passed a decision to [words indistinct] the Democrats [words indistinct] that the embargo should be lifted. For us this is (?a great success).

Second, the American public is in favor of lifting the embargo. The executive power—the administration—remains on the other side. President Clinton agrees with lifting the embargo, but he does not wish to do it on his own. He wants others to do it simultaneously, to share the risks and responsibility that will ensue. However, this hasty reaction by President Clinton may be connected with the situation in the field. You know that Karadzic's Serbs are holding UNPROFOR [UN Protection Force] soldiers hostage and that their imprisonment could last longer if President Clinton decided [words indistinct] and said something favorable in connection with the lifting of the embargo.

We have made a considerable progress. I would like to repeat, we should not forget that Congress is the supreme legislative authority in the United States [words indistinct] by President Clinton to comment very quickly on this decision [words indistinct] in a way favorable to us, but there is no other avenue. Another avenue does not exist because Karadzic's Serbs are simply engaged in terrorism against the international community. If Mr. Clinton can see any other solution, would he have gotten back his pilot, who was downed over Banja Luka, through negotiations? [question as heard] Would he have been able to talk to those bandits? Would he have been able to do it [words indistinct]. No, he could not. It was only force that enabled them to save the pilot's life. We demand to be enabled to look after our citizens in the same way Mr. Clinton cares about his pilot, and he should not prevent us in doing so.

We will continue, together with the American public, to (?insist) on that because we have the U.S. legislative authorities on our side; we have the American public on our side. The executive authorities obviously do not wish to take any risks. They want to do it simultaneously with others: with Americans, the French, and so on. [sentence as heard] However, the battle for the lifting of the embargo, globally speaking, has been won in legal terms. It is now to be continued on the level of persuading the American Administration that there is no other way. [end recording]

Contact Group Plan Supported

AU1206185295 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 12 Jun 95

[FBIS Translated Text] A session of the Bosnia-Herzegovina Presidency, chaired by President Alija Izetbegovic, was held today. The latest diplomatic activities regarding the situation in our country were discussed. The presidency is of the opinion that such initiatives should help to realize the Contact Group peace plan. Departing from its stance, the presidency concluded that the calling of a new London conference would not be productive.

The presidency is not opposed to the deployment of the Rapid Reaction Force within the makeup and under the command of the UN Protection Force, if and [word indistinct] helps the UN Protection Force carry out its mandate more successfully, which primarily consists of protecting safe havens, escorting humanitarian convoys to their destinations, and safeguarding Sarajevo airport.

The presidency will support diplomatic as well as any other efforts that could help to realize these goals. The presidency listened to a report on the very grave humanitarian situation in Sarajevo and examined measures for its improvement.

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Party Leaders View Butrus-Ghali's 'Options'

AU1306071895 Sarajevo OSLOBODJENJE (Bosnian) in Serbo-Croatian 8-15 Jun 95 p 5

[Article by Senka Kurtovic: "How Much Humiliation Can the Blue Helmets Take?"]

[FBIS Translated Text] Representatives of Bosnia-Herzegovina parties believe that the four options for the future of the UN mission in Bosnia-Herzegovina proposed by UN Secretary General Butrus-Butrus Ghali are yet another attempt to delay the establishment of peace in Bosnia-Herzegovina.

UNPROFOR [UN Protection Force] could act more successfully and efficiently if it obeyed and fulfilled the obligations from the existing mandate. Bosnia-Herzegovina politicians do not expect UNPROFOR to act as a liberator, but, primarily, to establish a mandate by which they could defend themselves more successfully.

Ismet Grbo, the head of the Center for Analysis and Public Relations in the Party of Democratic Action [SDA] says that the UNPROFOR mission in Bosnia-Herzegovina has been reduced to a thoroughly absurd situation, which is, on one hand, a consequence of the orders it was given by the United Nations and Butrus-Ghali himself, and, on the other, the position of UNPROFOR in Bosnia-Herzegovina is determined by the command of that military formation. Grbo points out that UNPROFOR in Bosnia-Herzegovina does not perform any of the functions it is given its mandate, and that it has reached a position in which it cannot even protect itself. Regarding Butrus-Ghali's proposals, the SDA has clearly defined standpoints.

"The arrival of intervention troops should make the mission of the UN forces more successful, in accordance with the resolutions. That means that they will secure the self-defense of the UNPROFOR troops, and enable them to perform their humanitarian role," Grbo says.

With that intention, the president of the state commission for relations with the United Nations, Minister Hasan Muratovic, wrote a letter demanding that the UNPROFOR mission be restored; that UNPROFOR, besides being preoccupied with themselves, again resume the protection of the zones of total exclusion and of Sarajevo, as well as of convoys supplying food to the city; that, together with the UNHCR [UN High Commission for Refugees], UNPROFOR starts supplying food via the Metkovic-Sarajevo route without delay; and that UNPROFOR, without delay, should take over control of the systems for the supply of water and energy to Sarajevo.

Grbo believes that a new situation has been created by the downing of the U.S. plane by chetniks over Banja Luka [as published], the detention of the UN soldiers....

"It seems to me that, after these provocations, the activity of the UN troops in protecting themselves should be expedited, at least when it comes to details. We have stressed this a few times already, and now we repeat that we do not expect UNPROFOR to act as a liberator. Our army can perform that function very successfully," Grbo says.

He also points out that the SDA and its particular forums pursue very attentively the present activities and the realization of the agreement that UNPROFOR made with the Government of Bosnia-Herzegovina, and that they are preparing elements for the talks to come. Grbo says that the details have not been discussed as yet.

According to Ivo Komsic, member of the Presidency of Bosnia-Herzegovina and the president of the Croatian Peasants Party [HSS] in Bosnia-Herzegovina, Butrus-Ghali's delays in presenting his report and proposals are yet another attempt to blur the situation in Bosnia-Herzegovina.

"It seems to me that two or three proposals that he made do not change anything significantly. There is some mention of withdrawal, and the second two preserve the status quo, or put UNPROFOR once again into the role of 'the guardians of peace,'" Komsic says.

The situation would be much more favorable, Komsic believes, if UNPROFOR would (finally) be given a mandate for the use of force in protecting the safe zones, the humanitarian roads, and the airports.

To our question about the HSS's attitude towards the arrival of "multinational" reinforcements, Komsic points out that that should be analyzed carefully.

"All the forces that come must be under UNPROFOR control have the compliance of the government and a clearly defined goal, function, and mandate. They should not act outside that changed mandate," Komsic says.

Member of the Presidency of Bosnia-Herzegovina and the president of the Republican Party, Stjepan Kljuic, says that UNPROFOR needs stronger and more efficient forces, because the present ones are not capable of protecting the safety zones, maintaining peace, or, in particular, protecting their own forces. In that segment, according to Kljuic, UNPROFOR has shown most weakness.

"It is obvious that UNPROFOR has not fulfilled any of the tasks, and the United Nations and the countries that are participating in the Bosnian operation are aware

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of that. Now we can wait for a new agreement with the United Nations in November of this year, but at the same time we can demand a transformation of the mandate. Therefore our government must be more efficient and, with the United Nations, create a new form of UNPROFOR that will be able not only to protect themselves, but also to establish more order in the tasks that are given to it," Kljuic thinks.

According to Rasim Kadic, the president of the Liberal Party of Bosnia-Herzegovina, the only realistic option is to strengthen the pressure on Karadzic and Milosevic, of course with innovations in the mandate of the UN forces and, in that sense, the strengthening of the military pressure.

"The question for the international community is how much humiliation they can take, whereas the question for us is how much fighting we can take," Kadic says.

In his opinion, since the beginning of the war, all options of yielding to the Serbs have lead to their supremacy and have ended shamefully for the powerful world community. Two years of their provocations, Kadic believes, are proof enough that they only understand the language of force.

Nermin Pecanac, the vice president of the Union of Bosnia-Herzegovina Social Democrats [UBSD], believes that "Butrus-Ghali's options are yet another attempt to prolong the establishment of peace in Bosnia-Herzegovina."

The UBSD believes that, at the moment when the whole world is discussing the role and mandate of UNPROFOR in Bosnia-Herzegovina, our parliament should also start a serious discussion on that. The international community needs help, and as long as UNPROFOR acts as it does now, the situation will not change

"Even now, they act because of themselves, not because of our own right to live. Besides everything, our main goal must be the strengthening of the Army of Bosnia-Herzegovina, because not one of Butrus-Ghali's options seems functional. UNPROFOR must make far greater changes, because with this mandate they are not even able to maintain peace, not to mention creating peace," Pecanac says.

Ivan Vidovic, president of the city committee of the Croatian Democratic Community [HDZ], believes that UNPROFOR is in the hands of great powers that express their attitude towards Bosnia-Herzegovina in this way.

"That is why our expectations of UNPROFOR are unrealistic. If a world power allows its troops to be chained to poles by someone, who, at that, is an aggressor and terrorist, then that is not only a matter of incapability and yielding," Vidovic says.

Butrus-Ghali's proposals, in his opinion, are nothing but empty words.

"He has already revealed the mean behavior and policy of great powers. The UN resolutions are positive, they are mostly to our advantage, but their realization is to our disadvantage, because there is hardly one resolution that has been obeyed by the aggressor and carried out by UNPROFOR," Vidovic says.

Muslims Expel Croats From Konjic, Jablanica

LD0906203395 Belgrade TANJUG in English 1954 GMT 9 Jun 95

[FBIS Transcribed Text] Belgrade, June 9 (TANJUG)—Muslim authorities on Friday continued expelling the remaining Croat population from the area of Konjic and Jablanica, towns in southern Bosnia-Herzegovina, the radio of the Bosnian Croat state of Herzeg-Bosnia reported.

The radio said that despite a sharp protest on Thursday by the Herzeg-Bosnia government to the Muslim authorities, Muslim families who, after three years of exile had returned from The Former Yugoslav Republic of Macedonia, were still moving into Croat houses in the area.

The Office for Refugees and Exiles of the Bosnian Croat republic of Herceg-Bosna on Friday informed international organizations that about 400 Muslim refugees had returned via Albania and Croatia to the municipality of Konjic, and 150 to the area of Jablanica.

Herzeg-Bosnia radio said that during the Muslim-Croat clashes in 1993, the Muslim army had expelled about 11,000 Croats from the area of Konjic and now it was pursuing the final stage of ethnic cleansing over the remaining 1,200 Croats.

Mladic Protests UNHCR Weapons Smuggling

LD0906182895 Belgrade TANJUG Domestic Service in Serbo-Croatian 1708 GMT 9 Jun 95

[FBIS Translated Text] Belgrade, 9 June (TANJUG)—Following the latest abuse of the UN High Commissioner for Refugees [UNHCR] humanitarian mission, when, in the course of supplying food to the Muslim enclave of Zepa a large quantity of ammunition for Muslim soldiers was discovered on board a convoy during a routine check in Rogatica on 7 June, Colonel General Ratko Mladic, chief of General Staff of the Srpska republic army has sent a sharp protest to Mrs. Karen Koening Abu Said, Bill Toll, and Nicholas White, the

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heads of the UNHCR offices in Zagreb, Belgrade and Pale. This is noted in a statement released by the press center of the General Staff of the army of the Srpska republic.

The protest note also says: "This conduct is the gravest form of crime and is absolutely at odds with the UNHCR's mandate and the nature of its humanitarian mission." "In this way," Mladic says, "our trust has been abused and suspicions raised about the honesty and fairness of your organization's staff, who have been taking humanitarian aid to the Muslim enclaves."

"I demand adequate measures that will prevent such operations taking place again, and I inform you that because of this criminal act the convoy will be detained and its cargo confiscated, while legal measures will be taken against those who were responsible," the protest note ends.

Milosevic Allegedly Behind Assassination Attempt

AU1206193795 Sarajevo VECERNJE NOVINE in Serbo-Croatian 8 Jun 95 p 4

[Article by M. Pehilj: "Order From Dedinje?"]

[FBIS Translated Text] Information that Radovan Karadzic, the terrorist leader of the self-proclaimed "Srpska republic," was killed was recently leaked to the public. This rumor followed the arrest of "the Blue Helmets" and was fanned by several days of Karadzic's media isolation on Pale Television, however, shortly after the above information was leaked—and which also circulated among foreign correspondents in Bosnia—it was denied. Namely, Pale media carried a scant report about a closed meeting in Bijeljina, at which Karadzic and Martic finalized the last guidelines for the unification of the so-called Srpska republic and the republic of Serbian Krajina.

Although the illustrious reporters of the international agencies were deprived of yet another piece of sensational news from Bosnia, it was intriguing that this second report, which also circulated among the reporters, was not denied.

Injured Bodyguard

This undenied report refers to the events at the end of May when the news about an attempted assassination of Radovan Karadzic at the orders of Slobodan Milosevic was "leaked." It all happened only a few days after the attempted assassination of the chetnik leader Vojislav Seselj, leader of the Serbian Radicals, who was touring the occupied parts of Sarjaevo and who accused the main leader in Dedinje for it.

As we have learned, the "assassination" of the leader of the so-called "Srpska republic" is connected to the date 31 May of this year, when automatic weapons fire opened up on a convoy of vehicles moving from the direction of Zvornik toward Bijeljina that afternoon (Karadzic was rushing to a meeting with Martic scheduled for 1800) on which occasion a vehicle from Karadzic's escort was hit. As we have learned, one of his bodyguards received light injuries then.

Bearing in mind that this incident took place in the region in the vicinity of Janja near Bijeljina—which the chetnik criminals "ethnically cleansed" of the predominant Bosniak population—the members of Karadzic's copious escort could not have accused the Bosniaks for the attempt of this—if one can call it—assassination. It is still not known who fired at the Serbian Repbublic leaders and what the motives behind the shootings were.

Fear From Liquidation

It is speculated, though, that somebody might have done it at the instruction of Slobodan Milosevic, to whom Karadzic is an increasingly bigger nuisance. Some say, however, that this could have also been done by a relative of those who had died in the war against the Bosniaks and Croats. The third possibility—stray bullets—seems simply ludicrous in comparison to the above mentioned possibilities.

Whatever, this incident suggests that Karadzic is in a bad way. It has caused an additional fear from liquidation with him and he engaged additional personal security. The event would have probably remained unknown to the public for a longer period of time (bearing in mind the order not to discuss the incident as well as the order that the bullet-ridden vehicle be replaced on the way back to Pale) had not one of "the participants in this incident," actually Karadzic's bodyguard, "broken the story" to a good friend of his. The secret then reached a correspondent of a foreign news agency who often visits Pale.

Karadzic evidently no longer trusts his bodyguards or close assistants who, due to the stepped up security measures, have now found themselves in a situation when their colleagues are conducting body searches on them on the occasion of their visits to the self-proclaimed Pale "leader."

Krajisnik: No Difference Between RRF, NATO

AU1206184595 Banja Luka Srpska Televizija in Serbo-Croatian 1830 GMT 9 Jun 95

[FBIS Translated Text] In a statement for SRNA, Momcilo Krajisnik, chairman of the Srpska republic assembly, expressed fear that the intention behind the

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forming of the Rapid Reaction Force [RRF] is to actualize plans that, as he said, we do not yet know about but are certain that they will not lead to peace. These forces may easily find an excuse to confront our army, together with Muslims and Croats, and, like NATO, join them to defend the allegedly sovereign Bosnia-Herzegovina, emphasized Mr. Krajisnik.

According to him, there is no difference between NATO and the so-called Rapid Reaction Force. The issue is merely a change in form that should meet the requirements of the international community's existing rules, said Chairman Krajisnik, and added that of most concern is that the political solution is being neglected and that no efforts are being made toward establishing dialogue between the interested sides, but instead decisions are being made that invariably lead toward the prolonging of the war.

Referring to the decision of the U.S. Congress to unilaterally lift the arms embargo for the Muslims, Chairman Krajisnik said that nothing new would happen, since there has in fact never been any embargo. Regardless of what decisions are made within the United States, we must fight and defend our state and our freedom, concluded the chairman of the Srpska republic assembly.

RRF 'Directed' at Serbs

AU1306100495 Paris AFP in English 0941 GMT 13 Jun 95

[FBIS Transcribed Text] Belgrade, June 13 (AFP)—The Bosnian Serbs have not ruled out declaring war in territory they control in light of recent offensives by the mainly Moslem Bosnian army, the Serbs' number two leader, Momcilo Krajisnik, said Tuesday.

The self-styled parliament of the "Bosnian Serb republic" will meet Wednesday in the Serb stronghold of Pale to assess the military and political situation and "it is not ruled out that it would decide to declare a state of war," Krajisnik was quoted by the Yugoslav BETA news agency as saying.

He added that it was "out of the question" for the Serbs to accept an international peace plan on Bosnia that calls for them to relinquish much of the territory they currently control.

"The Serbs have rejected that plan in a referendum and it is useless to come back on that issue," he said.

Krajisnik also denounced the international community for pressing Belgrade to recognize the independence of Bosnia-Herzegovina and said such a recognition would not be acceptable to the Serbs.

As to an international rapid reaction force [RRF] being deployed in Bosnia to protect UN peacekeepers, Krajisnik said the force was "obviously directed solely at the Serb people."

The rapid reaction force was set up after the Serbs captured more than 300 UN peacekeepers in retaliation at NATO airstrikes against Serb munitions depots last month. Most of the peacekeepers have been released except for 144 who are still being held hostage.

Serbian President Slobodan Milosevic announced Tuesday in a communique that 130 of the remaining hostages would be released later that day.

He said the other 14 could not be freed at the same time as it was impossible to regroup them all for "technical reasons."

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New Deputy Prime Minister Misetic Interviewed

AU1306081295 Zagreb VJESNIK in Serbo-Croatian 25 May 95 p 5

[Interview with Bosiljko Misetic, presidential adviser for confederal relations with Bosnia-Herzegovina and deputy prime minister in charge of domestic politics, by Aleksa Crnjakovic; place and date not given: "Croatia Is My Homeland, Not My Property"]

[FBIS Translated Excerpt] Many parliamentary representatives and kibitzers still remember that scene, even though they may not have known the essence of the dispute that occurred: Bosiljko Misetic, minister of justice and public administration, made representative Vladimir Seks so upset with his discussion that the latter jumped out of his seat, demanding that Misetic get down from the speaker's stand. Misetic did not do so, but due to a deeper conceptual or political disagreement, the minister with almost the shortest ministerial career became politically anonymous. He returned recently, through a wide open door: He was appointed presidential adviser for confederal relations with Bosnia-Herzegovina, and he recently also became deputy prime minister in charge of domestic politics. It is precisely Vladimir Seks that he replaced in that position. Once men of different views, they are now good party colleagues.

[Crnjakovic] For a few months you were presidential adviser, you are prime minister Valentic's old friend, and at one time you were part of the opposition parties. What was it that helped you the most; who was it that brought you back into active state politics, into the government?

[Misetic] I came to this position because the president of the Republic wanted me to, and the prime minister agreed that I should. The president obviously realized that from this position I would be able to recognize the concept of the Croatian state and be able to establish its reputation.

The World Is Looking for an Alibi

[Crnjakovic] For a very short period you were minister of justice. Did anyone perhaps prevent you from implementing the concept you represent now, or were the reasons for your resignation of a purely professional nature?

[Misetic] I was not unsuitable, but at that time I was working under completely different circumstances. You must remember that I was a minister in a coalition government. In those circumstances and at that time everyone ran their section of the road. The reason for my resignation was the changes in the Constitutional Law on the Rights of National Minorities. I believed, as I do today, that the concept of civil war, which in fact implied a sharing of the responsibility, was being imposed on Croatia [passage omitted].

[Crnjakovic] You used to be prime minister Valentic's business partner and friend. Will this fact help you or be in the way in this job?

[Misetic] The prime minister was and still is my friend, and we were business partners—we had a joint law office. However, I was appointed to this position because President Tudjman wanted me to be.

Against All Provincialism

[Crnjakovic] You are seen as a "hard" pro-state individual, but some also want to bring discredit upon you by saying you are part of the Herzegovinian line. Will some see you as a "foreign element" in the government?

[Misetic] I doubt it. As you know, the government team is a good one. This is a government of parliamentary majority, it is the Croatian state government, and I was appointed to this position to implement the Croatian state politics together with the others. I do not believe that there will be reasons for any resistance toward me. Some may recognize me as an enfant terrible, as they used to, since I have not changed at all; I still live and act in accordance with the strict criteria of my own. I always say that we are living at a time in which each of us must throw a shovel of coal into the freight locomotive that is pulling the Croatian state forward.

As far as my Herzegovinian origins are concerned, I must say that I oppose any spiritual and political provincialism, both in politics and in everyday life. However, I must emphasize that I am proud of my Herzegovinian origins, and if I had to choose a place to be born in, I would choose Ljubuski [passage omitted].

Granic: Krajina 'Under Occupation by Belgrade'

BR1206134595 Madrid ABC in Spanish 12 Jun 95 p 36

[Interview with Foreign Minister Mate Granic by Branimir Baron Brijevic in Zagreb; date not given: "We Have Proof That Krajina Is Under Occupation by Belgrade"]

[FBIS Translated Text] Zagreb—*The situation in Bosnia and Croatia is confused: The downing of the U.S. F-18 fighter aircraft, the taking of a number of military observers as hostages, and the announcement of the unification of the occupied territories in the two countries. Croatian troops are advancing on two fronts in the direction of the Serb bastion of Knin. Croatian Foreign Minister Dr. Mate Granic expressed his opinion on all these matters in an interview for ABC.*

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[Brijevic] Does the Croatian troops' advance in the Livno Valley in the direction of Knin mean that "Croatia wants peace but is preparing for war?"

[Granic] It is clear that Croatia is not responsible for what is happening in Bosnia-Herzegovina. In a counteroffensive there, the Croatian Defense Council [HVO] has succeeded in taking some Serb positions decisive for controlling the road from Glamoc to Gravoho. Some places on the Dinara massif have also been taken. The HVO's advantageous position in the Livno Valley and in the Glamoc area irritates the Serbs of Knin, but the Republic of Croatia has no intention right now of acting militarily in that area. We are following closely the development of the situation in Bosnia-Herzegovina, especially the announced unification of the occupied territories of Croatia with those of the Bosnian Serbs.

[Brijevic] What do the Croatian advances suggest to you?

[Granic] That we should restrain ourselves. We have already said that we are doing so.

[Brijevic] Is this time of complete confusion among the Serbs the time to defeat them militarily, since they interpret as weakness the Croatian idea of a peaceful reintegration of the territories?

[Granic] The international community wishes to isolate Karadzic, in order to be able to implement the Contact Group's plan. For that reason, it is prepared to make considerable concessions to Milosevic, although our latest reports state that an agreement has not yet been reached. On the one hand, stricter control of the borders and total isolation of the Serb leader Karadzic are wanted in order to be able to find a solution based on the Contact Group's plan. In the meantime, it has become clear that Milosevic is asking too much. He is demanding the complete lifting of the UN sanctions and various financial advantages, including the oil supply. In my letters to the foreign ministers of the Contact Group member countries and the UN secretary general I have clearly stated that these are too many "carrots" for Milosevic. Without the recognition of Bosnia and Croatia by Belgrade, Milosevic has virtually no interest in or motivation for improving the situation in the occupied territories of Croatia, which are in fact under occupation by Belgrade.

[Brijevic] Do you have proof that Krajina is under occupation by Belgrade?

[Granic] We have credible proof. Milosevic has replaced his military chief Coleketic with Perisic, the aid to his commander, General Mrksic. Now Perisic is acting as commander of the "army" in Knin. We also have the payrolls which we seized in the lightning operation in western Slavonia. These are payrolls of all the officers and enlisted men, paid from Belgrade.

[Brijevic] How will Croatia react to this Serb double game?

[Granic] They are announcing the unification of the two "states" of the Serbs in Croatia and Bosnia, and we demand of the international community the urgent implementation and putting into practice of the UN mandate.

[Brijevic] Does that mean waging war until victory? Does it remain opportune to negotiate?

[Granic] It is clear that the situation in Bosnia-Herzegovina is very delicate, and various developments in the situation are possible and probable. The worst thing—and this causes panic—would be the union of the Serbs of Croatia with those of Bosnia in the occupied areas. In that specific event, we could no longer even attempt a negotiation. We can negotiate with our Serbs because they are our citizens. They may also be war criminals, but they are our citizens. However, we cannot negotiate with Karadzic in any way. We cannot tolerate Karadzic's army on our territory. In other words, we are seeking from the United Nations urgent control of the borders and strict implementation of the UNCRO [United Nations Confidence Restoration Operation in Croatia] mandate.

In Bosnia-Herzegovina, we support the efforts of the international community and NATO. In any event, we want implementation of the Washington agreement and of the Contact Group's plan to be achieved. For the present, we have no military action planned, but we must be prepared for the situation to develop in the "wrong" direction at any time.

[Brijevic] The international community is apparently much more indulgent toward the Serbs. What is the reason for your hope that the international community's conduct in this connection will change in the future?

[Granic] Croatia's position has improved substantially recently. Five years ago, we had no weapons and nobody wished to know anything about us. Now Croatia is a well organized state with a strong army. Of course, we do not have enough modern weapons, but we do have enough to defend the country and to take control of the whole of the country's territory. In our opinion, the only course for Croatia lies in European integration and the development of good relations with the neighboring countries. The world continues to be much more critical of Croatia than of all the other countries in the region, but we have considerable prospects of becoming integrated into Europe.

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Defense, Security Council Views Balkan Issues

LD1206202495 Zagreb Radio Croatia Network in Serbo-Croatian 2000 GMT 12 Jun 95

[FBIS Translated Text] A session of the Defense and National Security Council, chaired by the republican president [Tudjman], was held in the presidential palace tonight.

The session discussed several initiatives currently being set in motion in Croatia and abroad aimed at recreating a South Slav political and economic community in various forms.

For instance, a conference entitled "The Balkans and Southeast Europe—What Economic Future for the Region" was held in Paris last week. The conference was organized by the so-called press for peace and resolution of crisis.

The Defense and National Security Council has once more underlined the desire of Croatia's state authorities to normalize relations between all successor states of the former Yugoslavia as soon as possible on the basis of mutual recognition, full sovereignty, and respect for minority and civil rights. Such a normalization and cooperation, however, excludes a renewal of a Balkan, Yugoslav, or Adriatic union or confederation.

Croat, B-H Ministers on RRF Mission

AU1206194895 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 12 Jun 95

[Report by Nada al Issa in Zagreb]

[FBIS Translated Text] Will the international rapid reaction force [RRF] act under the auspices of the United Nations or NATO? Will they only be active in Bosnia-Herzegovina [B-H] or in Croatia, too? What will be their exact objective and status? For the time being, Bosnia-Herzegovina only knows that it is envisaged that the troops will be active on its territory. Croatia, however, knows even less about whether they will work within the framework of the UN Protection Force [UNPROFOR] or some special mandate. The only thing they do know is that the troops will pass through its territory. Is it envisaged that they will act, if need be? If yes, will this be within the framework of the UN Confidence Restoration Operation in Croatia [UNCRO]?

[Words indistinct] in Bosnia-Herzegovina demand that this be determined exactly and that a special agreement be signed on this in order to clarify everything was stated in the talks of Minister Muratovic [in charge of liaison with the United Nations] and Ambassador Trnka with Croatian Foreign Minister Mate Granic.

[Word indistinct] proposal of Butrus-Ghali about a new conference on the former Yugoslavia, their joint conclusion was that the conference would be superfluous. One should only implement the Contact Group plan consistently instead of making new plans at all costs when they already exist.

With Hrvoje Sarinic, president of the Bureau of the Croatian President Dr. Franjo Tudjman, they discussed the commencement of UNPROFOR and UNCRO mandates in conformity with Resolutions Nos. 981 and 982. It was pointed out that neither Croatia nor Bosnia-Herzegovina are satisfied with these mandates, as they actually have not begun yet. Not even the chiefs of missions have arrived.

Special emphasis was placed on the demand that [word indistinct] of the peace troops [passage indistinct].

Chief of General Staff Blaskic Interviewed

LD1106194695 Zagreb HTV Television in Serbo-Croatian 1730 GMT 11 Jun 95

[FBIS Translated Excerpt] [Announcer] The guest on our news program this evening is Tihomir Blaskic, chief of the General Staff of the Croat Defense Council (HVO). Good evening Mr. Blaskic.

[Blaskic] Good evening.

[Announcer] The Orasje and Samac battlefield has been shelled by Serb forces on a daily basis. Reports say that thousands of shells have been raining on it. What is the current situation on that battlefield? Are HVO positions still stable?

[Blaskic] The Serb aggressor is still carrying out intensive offensive actions as we speak. They are combined with extremely heavy shelling of our defense lines, but our lines are extremely stable. What I believe is very important to stress is the firmness and self-confidence of our defenders and their resolve to persist in their tasks. They are highly motivated. All of our defense activities have been going on as planned under the command of the Orasje operational zone.

[Announcer] Do you have information on the atmosphere on the enemy side?

[Blaskic] We have intelligence reports about a high level of dissatisfaction among the Serb troops. On the basis of information arrived at through questioning POW's and refugees, it is obvious that they are trying to capture Croat territory and to carry out military activities that have no justified objective. All of this shows disarray within their troops and the enemy's attempt to capture these areas at any cost. [passage omitted]

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[Announcer] What are HVO's objectives?

[Blaskic] We have taken concrete measures. I have personally spent about 10 days in the command of the Orasje operational zone. We will continue defense activities. In order to take the burden off that battle zone we launched activities in the wider area of the Kupres and Livno battlefield in an attempt to take the pressure off the Orasje operational zone. [passage omitted]

Daily Profiles Tudjman's Son, Security Services

AU1206131895 Zagreb HRVATSKI OBZOR in Serbo-Croatian 5 Jun 95 pp 32-33

[Article by Marko Barisic: "Portrait of the Week: Miroslav Tudjman—Tudjman Who Oversees Tudjman"]

[FBIS Translated Text] Former students of information science would like to see their professor from the eighties at their reunion this year, but they cannot get in touch with him. Dr. Miroslav Tudjman, eldest son of Croatian President Dr. Franjo Tudjman and the head of Croatian Information Service (HIS), will not appear at the celebration, probably because he has never liked noisy celebrations and, after being appointed to a responsible state office, he avoids appearing in public. Having been completely aware that the fact that he is a son of the state president would burden his public career, he has decided to work in a silent and self-effacing way, as far from public eyes as possible. Nevertheless, his former students remember him from entirely different times when his father was serving his sentence in Lepoglava Prison, because of which the name of Tudjman bore a sign of political unfitness. "He was competent, responsible, and correct," they say about him, without any connotations of nepotism linked to his important political role today. Such connotations are not even used by the political opponents of his father's party, which one would have expected. Moreover, even Perica Juric, the HND [Croatian Independent Democrats] member, who recently uttered many bitter words about the HDZ [Croatian Democratic Community] and the new law on the National Security Office [UNS], finds only nice words for Dr. Miroslav Tudjman.

Career Before HDZ

After having graduated in philosophy and sociology, and won a master's and doctoral degree in the field of information science, he became a distinguished professor at the Faculty of Arts. He did all this all the time when his father, today president, was in jail or approaching it, and he met the first democratic elections in 1990 as a member of Anton Vujic's Social Democratic Party of Croatia. Even today, he does not discharge any duties in the HDZ, his name is not involved in any business scandal, and, moreover, the public is given a flat refusal of any story about his marriage to Vanja Moric, Ministry of Foreign Affairs spokeswoman, and their two grown-up daughters. What he does today, he announced in 1991, in his book "Theory of Information Science," it is true, is in the state analytical and intelligence department. The book was the result of two decades of scientific activity in that field, and the critics noted that he "is our only philosophical author who systematically deals with the epistemology of informational sciences." At the start of the Liberation War, what was more natural than to put his knowledge of that field of the organization and transfer of knowledge—and in this case the knowledge was essential information for the state—at the disposal of the defense of his homeland? Croatian soldiers from many battlefields remember his unannounced arrivals, going round most of the battlefields, and his simple, natural behavior in those hard times when the defense system was being established, not only in Croatia, but also with the Croats in Bosnia-Herzegovina. Dr. Miroslav Tudjman has always seemed quiet, a little introverted, without any big words or, with certain commanders, any epic effusion of courage. Perhaps these are characteristics of most information scientists who feel best when trying to solve complicated rebuses on their computers, but with Miroslav Tudjman, those who know him claim, it is a conscious behavior that is the result of the fact that he is the Croatian president's son. It is likely that he did not want to make the mistakes he had noticed in other high state officials' sons, who had no doubts about expressing in the media their, later proved, poor knowledge of military and political affairs, by which they attracted public animosity, being known as "father's sons." Even the sharpest critics could not have found any such behavior by Dr. Miroslav Tudjman. Therefore the appreciation shown for his work (the rank of brigadier, the position of head of HIS, and he was decorated on Statehood Day) seems more unquestionable than that received by most Croatian officials, because public opinion would gladly withhold such appreciation from them, because of their public toadyism in politics, their doubtful ethical characteristics, and their business transactions over which illegality has cast its shadow.

Tendency to Democratic Options

Scientific habits and personal political stands, mirrored in the fact that he did not begin his political engagement in his father's party, made Dr. Miroslav Tudjman an individual, autonomous political personality on the Croatian political stage, independent of his father. Because of objective circumstances, he has not had an

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opportunity to appear publicly, but there is no doubt that his time will come (he was born in Belgrade, 1946) and that he will assume an important place in some state authority. His political commitment is obviously social democracy, and no rightist elitism. He dislikes radical cuts and does not advocate conservative stands—that the people's happiness is contained in the fact that there is a Croatian state and a couple of patriotic songs. At work, he prefers trained and qualified personnel to those who only swear loyalty to the homeland, while his special attention is dedicated to the building of democratic institutions within the system. He does not like any kind of totalitarianism, indeed, his experiences in the former state are the motivation to eliminate any kind of repression in his analytical and intelligence work. After all, he has not, like some others, only discovered his Croatianship recently, and therefore he does not wave it like a flag when some illegal procedure is to be covered up. As early as 1970, he was deputy editor in chief of TLO [SOIL] magazine, which was banned in 1971 because of "nationalism," and its editors and journalists were fired.

Who Controls UNS

Therefore, when Dr. Krunislav Olujic, the head of the UNS until recently (now chairman of the Supreme Court), claims publicly that the recently adopted law on UNS represents a floodgate for totalitarianism, he is probably thinking about Dr. Miroslav Tudjman in that system. According to the new organization, Tudjman should have one of the leading roles in that institution. According to the law, the UNS consists of the HIS, the Inspection Service, and the Security Staff, with the UNS in a new role becoming the "executive, operational body that will control the work" of other the intelligence services under the exclusive control of the president of the republic. And the work of the UNS, again according to the law, will be controlled by the Staff of the National Security Board (consisting of the head of the UNS, his deputy, the director of the HIS, and the ministers of the state ministries) and the Parliamentary Internal Policy and National Security Board, to which the UNS is due to submit the annual report on its work. When this law was to be adopted, representatives of the opposition left the parliament hall with a claim that, with this law, "legal totalitarianism" was being installed in Croatia, with regard to the article of the law by which members of the UNS should have the same rights as the members of the MUP [Ministry of Internal Affairs], and, apart from being another intelligence institution, they have a right to control all other institutions. That was the reason for the clashes during the parliament session: Whether the law creates a presidential "private police" or whether the law makes possible control of all segments of Croatian secret services more efficient. Croatia is no exception regarding this. All secret services aspire to independence, that is, they do not like excessive control over their activity. According to some people, the law on the UNS will serve to prevent, from the very beginning, any attempt by any Croatian secret service unit to abuse its office and thus to endanger the state establishment. Therefore the law says: The UNS will "direct and control the work of the intelligence and counterintelligence services, analyze intelligence data for the president of the republic and for the government, and take care of the counterintelligence protection and security of the president of the republic, the parliament, the government, and their facilities."

Elections Will Be Indicator

That means that the SZUP [Constitutional Order Protection Service] (headed by Smiljan Reljic); the SIS [Security and Intelligence Service] (Branko Prmuzak); the 5th Directorate of the MORH [Ministry of Defense of the Republic of Croatia] (counterintelligence activity—Davor Domazet); and the 7th Department of the MVP [Ministry of Foreign Affairs] (Miro Medjimorec—activity abroad), will be under the control of, in the first place, the UNS and, ultimately, of the president of the republic. Thus, any attempt of individual services to work autochthonously will be prevented, the consequences of their natural mutual prestige will be reduced, and all attempts for them to be used as instruments of a party or an individual will be eliminated. The high position of Dr. Miroslav Tudjman within that system is for many people a guarantee that there can be no abuse of that high security organ of the Republic of Croatia. After all, as many interpreted Olujic's commentary on the law, it is better to have any law, than to have no law.

The best test of the Law on the UNS will be the parliamentary elections (next year). If the elections, including also the partial election campaign, will be carried out in conformity with democratic rules, if the polling committees will respect the results of the votes in the individual electoral units (without trying to fix the results), and if there will be no disclosures and "documents" that would discredit opposition or leading party members that are definitely leaked by the secret services, then it will mean that the law has passed the test and that it should be kept in usage regardless of which party is in power and who is elected president.

In the opposite case, that law would be against the interests of state security, would bring insecurity and discord into the Croatian political system, and would remind us of the old times when Udba [State Security Administration] and KOS [Counterintelligence Service],

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above all as the political police, tried to save the former state by abandoning law and getting out of control. As it emerged, despite all the crimes committed, they were not succeessful in that. Therefore, one can assume that the Croatian secret services will take other route in order to preserve the state security. A contribution will certainly also be made by Dr. Miroslav Tudjman, one of the heads of the UNS, who, scarred by the calamities in his own life, will not allow the secret services to do anything else but that what is written in the description of their work, like in other democratic countries. His activity so far is a guarantee that the job will be done in a highly expert way in line with the rules of democracy.

Mandate for Milan Babic To Form New Government

LD1206160695 Belgrade TANJUG Domestic Service in Serbo-Croatian 1544 GMT 12 Jun 95

[FBIS Translated Excerpt] Knin, 12 Jun (TANJUG)—Following consultations with representatives of the parliamentary parties, Milan Martic, president of the republic of Serb Krajina [RSK], has decided to entrust the mandate to form a new government to Milan Babic, chairman of the ruling Serb Democratic Party, according to the RSK president's press office. [passage omitted]

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Ecologist Opposes Building Nuclear Power Plant

95BA0241A Skopje PULS in Macedonian 28 Apr 95 p 26

[Interview with Dr. Mihail Tokarev, a professor of architectural engineering and chairman of the Scientific Commission of the Movement of Ecologists in Macedonia: "We Should Not Even Dare To Think of Any Kind of Nuclear Plant"]

[FBIS Translated Text] [PULS] The Macedonian public is divided on the issue of building a nuclear power plant in Macedonia. Could you explain your views: Why are you opposed to the building of such a project in our country?

[Tokarev] Our programs clearly express the view on this issue and ever since that time (by now, five years) it has not changed. The Movement of Ecologists of Macedonia opposes any kind of building of new nuclear facilities and calls for the gradual closing down of existing ones. Why? Because mankind must be oriented toward the so-called restrained development in balance with nature, based on its capacity. This means limiting demanded facilities for material life and even for limiting demographic processes on earth.

Macedonia is our only habitat. It is small and we must account for each square meter of it. We must measure and weigh it three times before we use it. This means that we, the people, must leave usable space for our future generations who will need it.

We must find alternatives: What kind of space shall we leave to future generations? Above all, we are considering the use of so-called replenishable sources of materials and energy. This means that we must not use to the utmost mineral and other ground resource, for this would deprive the future generations of the rights to life on this planet. This means that we must use materials that are abundant, while other nonrenewable materials should be protected with the help of a production cycle.

[PULS] Which are the alternate sources of energy?

[Tokarev] The replenishable sources of energy are, starting with the hydraulic potential in Macedonia, which have not been sufficiently utilized, solar energy, which is abundant in Macedonia, and which, in general, has remained unused, as well as wind power and natural gas. It would be wrong for this highest quality, ecologically good, energy source, which is, furthermore, inexpensive, to remain unused. We also have other types of energy, such as coal and lignite. However, they result in something which is very difficult to prevent, such as pollution, above all sulphur dioxide and carbon dioxide, which have the effect of a glass dome above the earth. This means that coal and lignite must be our strategic reserve for the future, to be used when we have problems with energy production. Let me especially mention hydraulic energy, the use of which is of the highest quality and is the easiest to use.

[PULS] You are promoting the "Vardar Valley" project. What are your reasons?

[Tokarev] Macedonia has an unused hydraulic potential. The Vardar, which is our longest river, is not generating even a single gram of power. That is why we favor the implementation of the "Vardar Valley" megaproject. As ecologists, we look at this project from several sides. First, from the climatic viewpoint, Macedonia belongs to the so-called desert zone. According to long-range forecasts, for the next 15 to 20 years the hydrological situation will worsen steadily. There will be less and less water. It is no longer sufficient for Macedonia to store water in winter for use in the summer. It must save water at all times. The water that flows into the Aegean Sea, will be retained with a system of hydroelectric plants, as stipulated in the "Vardar Valley" project. At the same time, the water will replenish the water table, considering that in our republic the level of the water table has dropped by several meters. With the use of hydroelectric power plants we will not only generate electric power but also have water sufficient for irrigation, livestock breeding, orchardry, and the microclimate. Naturally, before building hydraulic power plants we must protect the people who live in those areas. The Movement of Ecologists of Macedonia believes that the "Vardar Valley" project is the best alternative for retaining the electric power within Macedonia.

[PULS] Will this be economically profitable?

[Tokarev] Computations have indicated that the implementation of the "Vardar Valley" project would cost about $3.5 billion. Perhaps a nuclear power plant would be just as expensive (or even more so). However, the nuclear power plant will generate nothing but energy, whereas the other project would provide drinking water, and water for irrigation and navigation, for the microclimate, and so on. This will be a comprehensive development of the entire republic that offers no alternate choices. I would like to know who is raising the issue of whether Macedonia needs or does not need a nuclear power plant. The ecology must be one of the foundations for building a nuclear plant.

[PULS] Why, in your view, was the Mariovo site chosen for the implementation of the "Mariovo Hydronuclear Complex" project?

[Tokarev] According to that project, the Mariovo site is optimal for several reasons: availability of water

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for cooling (the Crna Reka River and the Cebren and Galiste reservoirs), the nonseismic nature of the terrain (from this viewpoint the Mariovo terrain is the best), stable hydrometeorological conditions, the vicinity of the Bitola REK [Republic Electric Power Combine], and so on. The issue has no political aspects, for the area is not populated and there is no one to object. However, Macedonia is a small country, we are its population, and we shall not only raise our voice but we shall take all the necessary measures to prevent any kind of initiative to build a nuclear power plant.

[PULS] Is there a chance that Macedonia will enter the 21st century with a completed nuclear power plant?

[Tokarev] I believe that Macedonia should not even think along such lines. Nuclear power plants should be closed down throughout the world and new ones should not be built. All ecological societies oppose the building of nuclear power plants the world over. This is a monstrous idea of people who would like to develop without limitations, for which purpose they will require an increased amount of energy. Macedonia loses 30 to 40 percent of the energy it generates because of poor installations and for other reasons, not to mention the need to restructure the production process, for we have one of the least economic production facilities in the world.

Energy Expert Advocates Nuclear Power Plant

95BA0241B Skopje PULS in Macedonian 28 Apr 95 p 27

[Interview With Tome Bosevski, academician and dean of the Electrical Engineering Department in Skopje: "With a Nuclear Power Plant in the 21st Century"]

[FBIS Translated Text] *According to Academician Tome Bosevski, dean of the Electrical Engineering Department in Skopje, building a nuclear power plant in Macedonia is the only possible alternative for the production of electric power to meet future needs .*

[PULS] In your view, how great is the need in Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] for a nuclear power plant for the production of electric power?

[Bosevski] For the time being, there is no need to build a nuclear power plant. Problems will increase in the 21st century, and in the first ten years of the 21st century, sometime in the year 2010, the thirty-year duration of thermoelectric power plants in Bitola will become a thing of the past. In that case, Macedonia will be deprived of its only source of electric power, for the thermoelectric power plants in Bitola and Oslomej currently account for about 90 percent of Macedonia's needs. Coal reserves cannot be increased and coal will be able to supply the thermoelectric power plants until 2010 or, in the best of cases, to 2015. By the year 2010, the equipment will be obsolete, for it was produced before 1980. The normal life of such equipment is a maximum of 30 years. The question is the following: What shall we do after we have exhausted the coal and after the equipment at the Bitola REK [Republic Electric Power Combine] will no longer function. What shall we have at our disposal? A number of people believe that Macedonia has a great deal of hydraulic potential. This is not accurate. Presently, our hydroelectric power plants account for no more than 10 to 15 percent of our needs. In the course of time this percentage will decrease as the charts indicate. Thirty years ago hydraulic power plants accounted for about 60 percent of Macedonia's needs for electric power. This figure has been steadily declining, and in the last 5 years the figure has ranged between 10 to 15 percent. But what about the other 85 to 90 percent of requirements? Currently this need is met by the thermoelectric power plants in Bitola and Oslomej.

[PULS] Is there any chance that Macedonia will cover the shortage with alternate types of energy (solar, geothermal, and wind)?

[Bosevski] Since I do not expect that the percentage of meeting the needs with hydraulic power will increase, the other methods for the use of water become intensive, which means water for drinking, which has priority, water for industry—industrial water—the needs of the cities for communal water for purposes of sanitation, and water for irrigation. All such needs have priority in the power industry. The power industry is nearing its end. With the increased population the cities expand and the need for water becomes increasingly greater and greater, while less and less water can be diverted for generating electric power. This can be seen by the decline in the amount of water contributing to the generation of electric power. Let us also mention thermal energy as an alternate source. The way it is exploited, it is not a major source of energy, for the intensive use of the flow and the temperature of the hot water are steadily declining, which means that we are exhausting that which has been stored over millions of years under the earth's crust. This is an indication that Macedonia cannot generate electric power from geothermal sources. Their capacity can meet no more than minor requirements, such as the heating of greenhouses. However attractive and modern solar heat has become of late, in the best of cases it could satisfy no more than 1 percent of our needs. The state must develop a different way to meet 99 percent of its needs for electric power. I am not aware of any international

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projects for the use of solar power, at least not in the next five years. Intensive work is being done throughout the world on the use of fusion, but this is still far into the future.

[PULS] The "Hydronuclear Mariovo Complex" has been drafted. What are its chances of implementation?

[Bosevski] It is a study of the development of power in the Republic of Macedonia for the period between 1986 and 2005. It involves the decision to build a nuclear power plant in Macedonia. Three departments have worked on this study: the Skopje Electrical Engineering, Machine, and Construction Departments, to meet the needs of the electric power industry that, at that time, was part of the unified Yugoslav power system, the purpose of which was to resolve the problem of the possibility of building a nuclear hydraulic power plant in the Republic of Macedonia. The possibilities are extensive, and since it has been noted that in the future the coal used by the Bitola REK cannot be replaced by anything other than nuclear energy, the efforts to prepare the site we mentioned have become energized.

[PULS] Will Macedonia be able to finance this project?

[Bosevski] The following question would modify the first: Can Macedonia abandon the use of electric power? If we have no coal, the hydroelectric power plants will not work and, as it were, they will become obsolete. Where shall we find electric power? We need 6.5 billion kilowatt hours annually, the cost of which would range between $200 and $250 million annually. I now ask myself: Does Macedonia have $200 to $250 million annually to pay and to whom would it pay the money when all of our neighbors have no electric power for sale. Albania does not have enough to meet its own needs, any more than Bulgaria has. In as much as Greece has, it is certain that any agreement would not be a long-term one, but even Greece is in a critical situation from the energy viewpoint. Serbia was a potential producer of electric power, but of late it is bound by restrictions for the reasons we know, and cannot maintain its thermonuclear power plant. Therefore, in practical terms, we would not have any one from whom to buy, not to mention the need to provide between $200 to $250 million annually for the procurement of electric power. If we keep thinking of building a nuclear hydraulic power plant in Macedonia by the year 2010, the country will need $200 to $250 million annually just for the procurement of electric power, not to mention the need for liquid fuels. What economy could withstand such a situation? I consider Macedonia's future possibility for acquiring electric power lies in building a nuclear power plant, however expensive this may be. According to some estimates, a power plant with two reactors of 700 megawatts each would cost over $300 billion. However, this cost can be met if we do not wish to abandon the use of electric power. The construction will be financed with loans from the manufacturers of the equipment, which would be much easier compared to the building of thermal and hydraulic power plants. With the building of a nuclear hydraulic power plant, a high percentage of our economy will be reactivated, the construction industry above all. The transportation organizations will be able to participate in the transportation of the equipment. This will be followed by the installation organizations, which now are essentially bankrupt and jobless. All of them will participate and, which is most important, we have the necessary human potential and knowledge. This applies to our team at the Bitola REK, which numbers between 2,000 and 3,000 specialists who know how to build a nuclear power plant. The Bitola REK personnel, with the small of addition of 100 other individuals, will be able to build and manage the nuclear power plant. The trained potential of the personnel of the Bitola REK is the greatest resource, the greatest contribution, with which we shall participate in the building of a nuclear power plant. All this should take place sometime between 1995 and 2015. Therefore, we do not have too much time for preparations. This year is the final deadline for Macedonia to decide in favor of a nuclear power plant, or else to consider what will happen in the long range after the coal reserves have been exhausted. The present generation is selfish and intends to use the coal itself. What shall we leave to our children and grandchildren? Neither coal nor knowledge. They will find themselves without coal, for we would have used it selfishly.

[PULS] The ecologists are against the building of a nuclear power plant in Macedonia for fear of a possible accident. What is your view of this?

[Bosevski] There is a risk but it is not greater than that in other industries. As to the ecological risk, it is caused by the construction itself of nuclear power plants. Some 300 to 400 kilometers from us is Kozloduy in Bulgaria; 500 kilometers away are the five Hungarian nuclear plants, and Krsko is not too far. With the construction of yet another such plant in Macedonia, the risk becomes greater. However, modern nuclear power plants are safer. I believe that Macedonia has personnel that will be able to safely handle the nuclear power plant.

Developments Reported on Radio, TV Station Ban

AU1306065695 Skopje MIC in English 12 Jun 95

[FBIS Transcribed Text] The situation in the Macedonian [The Former Yugoslav Republic of Macedonia—FYROM] radio-diffusion area has been the center of our

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attention and that of the international public, for more than a month now. Especially following the action of the competent Ministry of Transport and Communications, which, in cooperation with several other ministries, issued work ban decisions to over 60 commercial radio and television stations. If in the beginning the action was given a bitter welcome followed with suspicion as to its true motives, due to the hastiness and unpreparedness of the services that are conducting it, after the short sobering up of those who found themselves targeted in this action, nevertheless, the matters took on an upward course.

On several occasions, and without much turbulence and raising of tension, meetings were held between the top man at the Transport Ministry, expert associates and the members of the Steering committee of the private commercial RTV stations that represent the interests of some fifty and more public media in the country. And, when it was expected that soon (a deadline of 15 to 30 days was mentioned) it would come to the first more concrete decision that would lead to the settlement of the acute problems, things returned back to the start. Firstly, as the private media claim "because of the inconsistency of the government spokesman Gjuner Ismail who devaluated the efforts made so far in the Belgrade media, and who is giving incompetent and arbitrary interpretations of important segments from the field of radio-diffusion," and which was followed by a bitter accusation by the Minister of Transport as a counterattack, that this case was being rigged and that together with the president of the Commission for political system Naser Ziberi, his personality was being attacked.

One doesn't have to be especially wise to see that at this moment, going a step back was the thing least necessary. Since, even without that, too much time has been wasted in the numerous improvisations that exist in this field, the nonexistence of important legislation that would channel and direct the work of all those who aspire to be a part of the radio-diffusion sky. Instead of maximum efforts in bringing efficient technical norms which would contribute to the establishment of some kind of order on the air, impermissibly lot of energy and nerves are being spent on peripheral activities which not only don't help to make things better, but, to the contrary, create even more misunderstanding. Both sides should show enough openness and good will for mutual cooperation which would give the first concrete results. It is really impermissible to continue tolerating, without any order, the free frequencies, regardless of whether they bother anyone or not. At the same time, the long announced frequency plan has to be made as soon as possible, so that everyone can find his place under the sun. It's also odd to ask for something that no one has (the infamous permits from the Transport Ministry), but it is incomprehensible to be working in the informative sphere the way in which some people did. Without any program concepts, with ideological and political influences from the side, a lot of kitsch that offended the taste of the ordinary viewer and listener.

If several years went by in lethargy and with the thought that "everything that is not forbidden is allowed," then it's high time for things to change for the better. But, certainly not with a "Caesarean section," as some believe, but by giving a period of adaptation, so that all those who want to work freely have the time to get adapted to the new circumstances.

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Oleksy Appoints New Deputy Defense Minister

LD1306121895 Warsaw PAP in Polish 1132 GMT 13 Jun 95

[FBIS Translated Text] Warsaw, 13 Jun—On 12 June, the prime minister dismissed Jerzy Milewski from the post of secretary of state at the National Defense Ministry expressing thanks for his dedication and work at the post, the Government Press Office reported on 13 June. At the same time the Press Office announced that Prime Minister Jozef Oleksy has appointed Andrzej Karkoszka to the post of the secretary of state and first deputy minister at the National Defense Ministry.

"Andrzej Karkoszka, like Jerzy Milewski, guarantees actions consolidating civilian control over the Armed Forces," the communique reads.

Cites Civilian Control Issues

LD1306090995 Warsaw Polskie Radio First Program Network in Polish 0700 GMT 13 Jun 95

[FBIS Translated Text] Prime Minister Jozef Oleksy has announced that he intends to examine the issue of the civilian supervision over the Army. Appearing on Polish Radio, the prime minister voiced concern about messages reaching him concerning relations between the Defense Ministry and the General Staff.

[Begin Oleksy recording] There are opinions, which I am taking seriously, linked with the person of [Deputy] Minister Milewski and concern the erosion, as it has been reported, of civilian supervision over the Army. I cannot ignore this, and this is why I intend to examine the present state of the real civilian supervision, irrespective of the directions of possible changes.

I am still waiting for a draft document on the reconstruction of the Defense Ministry, which I demanded from [Defense] Minister Okonski a long time ago. I say that some occurrences make me feel uneasy too, and I want both the Defense Affairs Committee of the Council of Ministers and the Sejm [Defense] Commission to look again at the functioning of the defense department at the point of contact with the Army. [end recording]

[Announcer] The prime minister admitted that he is not receiving sufficient information on many issues, including personnel, structural issues, and matters connected with the arms trade. Jozef Oleksy said that, at Minister Okonski's request, he is considering dismissing Jerzy Milewski from his post of deputy minister. He also let it be known that he would like to appoint Andrzej Karkoszka to that post, because he is someone in whom he has full confidence. Andrzej Karkoszka heads the International Security Department at the Defense Ministry.

Waniek Criticizes Walesa's Approach to Army

LD1206213395 Warsaw Third Program Radio Network in Polish 2100 GMT 12 Jun 95

[FBIS Translated Text] Prime Minister Jozef Oleksy has accepted the resignation of Danuta Waniek from the post of deputy minister of defense. Waniek has admitted that she herself experienced the isolation by the General Staff of civilian politicians from influencing the activities of the Defense Ministry.

[Begin Waniek recording] It is no secret to anyone that a supporter of the alienation of the General Staff out from under the wings of the government is President Walesa himself. It is he who wishes very much that the chief of the General Staff be not only appointed by him, but that the entire General Staff, and so the command of the Armed Forces of the Polish Republic, be subordinate to him. And with a certain surprise, at the start of my stay in the Ministry of National Defense, I confirmed that these tendencies are supported by the chief of the General Staff. [end recording]

Ex-Defense Minister Claims Secret Arms Sales

LD1206201995 Warsaw Third Program Radio Network in Polish 1900 GMT 12 Jun 95

[FBIS Translated Text] Over 50 modern armored vehicles, BWP-2, were sold in the autumn of last year from Army depots without the knowledge of the national defense minister, Former Defense Minister Piotr Kolodziejczyk claims. According to him, the consent for the sale was granted by General Tadeusz Wilecki, chief of the General Staff of the Polish Armed Forces. Also participating in the transaction was Gromoslaw Czempinski, head of the State Protection Office [UOP].

[Begin Kolodziejczyk recording] After the famous dinner in Drawsko, I thought it necessary to explain the circumstances of the information leak to the press, the media, about the events that took place at that training ground. I ordered military counterintelligence to investigate, but the source of the leak could not be established. However, chance would have it that there was a conversation between two cellular telephone subscribers: Mr. Czempinski, head of the UOP, and General Wilecki, chief of the General Staff, which concerned, in my view, an amazing transaction of the sale of infantry combat vehicles. The transaction took place without the knowledge of, and as it were in secret before, the minister of national defense who has constitutional responsibility for everything that happens in the ministry.

Second, it was done without political control, which is extremely important and extremely dangerous. Because the arms trade, especially these days, is an enterprise

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that is often risky and may drive the country into serious political troubles, with consequences that are difficult to envisage. [end recording]

Jan Kuriata, deputy minister of defense responsible for trade in military equipment, confirmed that several dozen armored personnel carriers were sold in the autumn. On the other hand, General Henryk Inka, director of the Armaments and Military Equipment Department at the Ministry of National Defense, refused to disclose the price of the sold vehicles, claiming that this was a trade secret. According to Kolodziejczyk, the payment received for these personnel carriers was about a half of their market value.

Okonski: Vehicle Sales Legal

LD1306124495 Warsaw PAP in Polish 1153 GMT 13 Jun 95

[FBIS Translated Text] Warsaw, 13 Jun—National Defense Minister Zbigniew Okonski told journalists before the government's meeting today that the sale last year of 50 infantry combat vehicle was a legal transaction and the sale of these vehicles was in accordance with the interests of the Polish Armed Forces.

Asked if the former Defense Minister Piotr Kolodziejczyk could really not have known about the transaction, Okonski said he is "surprised by the memory lapse of the former ministry chief," because "every one at the ministry," including the entire leadership, knew about the sale. Referring to a statement by Deputy Minister Jan Kuriata, Okonski said the "whole Army was happy because $5 million was earned, which could be allocated for modern weapons," and that "these combat vehicles would otherwise have stood idle gathering rust."

Okonski said that now, when he is at the helm of the ministry, it would not be possible for such a decision to be made without his approval.

Asked what he is going to do if there were some irregularities in the transaction, Prime Minister Jozef Oleksy said actions appropriate in the given circumstances would be taken.

Oleksy said he was not sufficiently informed about what is going on at the Defense Ministry. Okonski replied that, in his view, the reason for the prime minister's feeling that he is inadequately informed is that he is very busy and rarely has time to meet with ministry representatives, who could brief him on details of work at the National Defense Ministry.

Defense Minister Discusses Control Over Army

WS1206132895 Poznan WPROST in Polish 11 Jun 95 p 29

[Interview with Defense Minister Wojciech Okonski by Miroslaw Cielemiecki and Dobrochna Kedzierska; place and date not given: "We Are Probably Not Mature Enough To Adopt West European Models of Commanding the Armed Forces; I Am the Boss"]

[FBIS Translated Text] [WPROST] When you took office, you spoke about the probability of finding a "golden mean" for reconciling the presidential and parliamentary concepts of organizing and controlling the Armed Forces.

[Okonski] Yes, I assumed a compromise between the two projects could be found. Unfortunately, the Sejm Subcommission on Competence Laws last Thursday rejected every single amendment the president suggested to the draft law on the office of the defense minister. A compromise implies concessions made by both parties, but there was no such will.

[WPROST] The president is trying to almost entirely subordinate the Armed Forces. Half a year from now, a representative of the postcommunist left may be occupying his office.

[Okonski] First of all, I would like to clarify one issue—I am not striving to subordinate the Armed Forces completely to the president, but wish to find what Deputy Szmajdzinski [Democratic Left Alliance] refers to as a balance. The structure of the ministry should be approved by the president at the motion of the government. This would guarantee an equilibrium between both power centers.

[WPROST] The General Staff has overgrown the civilian administration of the Ministry of National Defense [MON]. You are trying to suppress it even further. Are you not afraid you will thus create a military monster no one will be capable of controlling?

[Okonski] A rational restructuring of civilian and military structures is currently under way at MON, targeted at facilitating the management of the ministry. Some political groups interpret this as an attempt by the General Staff to control the Armed Forces. I see this as a quest for substitute problems at a time when we have to solve many more serious issues pertaining to state defense. First of all, the legal regulations on the Armed Forces must be amended so as to match the new reality. The majority of currently effective laws date back to the times of the Warsaw Pact. The second top priority issue is to prepare our Armed Forces for integration with NATO—a lot still remains to be done in this area.

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We should also consider problems related to long-term projections for the development of the Armed Forces. If we continue to plan on a year-to-year basis, we will never establish a modern, efficient military force. Decisions on modernizing the Polish Armed Forces also have to be made as soon as possible because they will have an impact on the development of a huge part of the civilian economy, in particular the arms industry. Finally, we must establish whether the Polish Armed Forces will number 180,000 or 240,000 men.

[WPROST] Contacts between the head of General Staff and defense ministers to date always began leading to divorce soon after the honeymoon was over.

[Okonski] There are no reasons to file a divorce suit for the time being. Of course, we do not agree on everything: General Wilecki has to be rapacious in his attempts to control the Armed Forces due to the specific character of his office. I, in turn, have to take a wider, national perspective. Thus far, however, we have always been able to work out reasonable compromises. I do have one advantage over the general—I am his boss.

[WPROST] The NATO structures widely apply models of commanding the Armed Forces without any powerful central command. In Poland, such a role is now being played by the General Staff. Military men are often against establishing European-style autonomous command for the various formations. The civilian administration at MON is beginning to "wear out." Will this not cut us off from NATO?

[Okonski] There is a central command center in the Scandinavian Armed Forces.

[WPROST] But they are peripheral to NATO. The systems of the United States, France, and the United Kingdom are quite different. The German defense minister is the unquestionable head of the Bundeswehr.

[Okonski] For the time being, my authority in the Armed Forces is far greater than that of [German Defense] Minister Volker Ruehe.

[WPROST] That is due to the old legal regulations which will be amended soon. None of the ministers have relied on them thus far. The presidential variant does not make you a Polish Ruehe.

[Okonski] We are probably not mature enough to adopt West European models of commanding the Armed Forces. Extreme solutions could lead to a prying open of the hitherto system and thus weaken our defense structures. I fear the combat readiness of our Armed Forces would be particularly impaired.

[WPROST] Is it prudent to allow for the MON of the past, only even stronger now, to reappear by permitting the General Staff, a commander in chief, or a General Inspectorate of the Armed Forces to grow in the name of the so-called Polish idiosyncrasies? The General Staff has already taken control over staffing policy, the Military Information Services, and military attaches.

[Okonski] Only some of the functions of those institutions were delegated to the General Staff. The minister continues to make decisions on major issues. I am the boss at MON.

Internal Affairs Minister Supports UOP Head

WS1206141295 Warsaw RZECZPOSPOLITA in Polish 10-11 Jun 95 p 11

[Report by Anna Marszalek: "UOP Will Be Impartial in Presidential Elections; Milczanowski Trusts Czempinski"]

[FBIS Translated Text] "The Office of State Protection [UOP] must stand on the sidelines, and will not allow itself to be manipulated into political games supporting any presidential candidate. I completely trust General Czempinski [UOP head], and I can see no justification or reason why he should leave, as some media are suggesting," Internal Affairs Minister Andrzej Milczanowski stated during his news conference on 9 June.

On that day the minister also held a meeting with the UOP leadership, including heads of UOP's regional offices. Principles of UOP's policies during the election campaign were specified. "There are certain obvious situations when UOP must take action," Milczanowski said. "If UOP receives a serious signal that a candidate is using money from foreign sources or that he has committed a criminal offense, the office will notify the prosecutor's office. Also, if it receives serious information confirming that a candidate suffers from a mental illness, it will send it to the Sejm speaker or to the chairman of the State Electoral Commission." When pressed by journalists, the minister conceded that such information would also be given to the president and to the prime minister.

Journalists asked the minister about other "cases," for example, about hypothetical homosexuality of a presidential candidate; he replied that also in such a case the president and the prime minister would be notified. Also, on their order he would take on the task of verifying specific persons, but only if he received "serious signals" about which he already spoke.

Milczanowski stated that the reasons why the atmosphere surrounding UOP is so bad could be traced to the political fight caused by the presidential campaign; he added that the fears or pseudofears expressed by some media do not have any real basis. When he heard the

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argument that the president had recently talked about the present coalition's fight for the special services, he replied: "We are going the middle of the road."

The participants of the meeting on Friday discussed, among other issues, the situation in UOP. However, only the state authorities received the UOP "white book" which, according to earlier statements, was to be given to journalists as well.

The minister firmly declared that UOP was not taking any action against [presidential candidate] Adam Strzembosz. (The professor publicly claims that he is under surveillance).

Minister Milczanowski also spoke about "wedges" which someone is trying to drive between himself and Gen. Czempinski. The UOP head added that "certain circles" benefit from circulating rumors about his alleged conflict with Counterintelligence Board Director Konstanty Miodowicz.

While answering questions, Gen. Czempinski also reported that UOP is verifying each serious signal—also the signal according to which Chechnya [illegible] deposited in Polish banks illegal money which came from the oil trade. "We are interested in any state which is implementing an active policy involving us," the UOP head added. He also said that he was surprised by a statement made by Mikhailov, head of the Russian special services, on recruiting Russians: "We have explained this to each other through our own channels."

Minister Milczanowski appealed to journalists to support UOP's attempts to keep the right to deal with "economic offenses directed at the country's economic foundations." (Sejm committees crossed this provision off the government bill). "All serious Eastern and Western services deal with it, especially where combating organized crime is concerned," Milczanowski argued. "UOP has well-trained functionaries who can handle the most serious cases. Of the 70,000 economic cases in 1994, UOP handled only a fraction (70); can we speak about 'over-policing' here?"

Oleksy Dismayed at Walesa's Criticism

LD1306113595 Warsaw Polskie Radio First Program Network in Polish 1005 GMT 13 Jun 95

[FBIS Translated Text] In an interview for Polish radio, Prime Minister Jozef Oleksy has expressed concern over President Lech Walesa's attitude toward the government and parliament. In the prime minister's view, the president in effect called for mobilization against a democratically elected political arrangement.

[Begin Oleksy recording] There should be some clarification of when Lech Walesa is speaking as Lech Walesa, maybe ready to stand for reelection—and then there would be different criteria for judging his opinion—and when he is still speaking as head of state. Then my interpretation of the opinion voiced publicly by the head of state would have to be different. [end recording]

Prime Minister Oleksy admitted that he had not expected such strong criticism of his Sejm speech by the opposition. The prime minister stressed that this is such total criticism that it rules out any discussion, especially since there is no sign of any constructive attitude on the part of the opposition.

Responses to Walesa's Reform Bloc Proposal

WS1306094595 Warsaw RZECZPOSPOLITA in Polish 10-11 Jun 95 p 2

[Report by "K. Gr.," "M.D.Z.," and "P.W.R.": "Will a Coalition for Reforms Be Formed? The Idea Is There, But There Are Few Workers"]

[FBIS Translated Text] The idea of forming a "bloc of forces which are capable of carrying out favorable reforms," presented by Lech Walesa in Gdansk, caused a moderate response among politicians. Most of those with whom we talked about it voiced neither a definite yes nor a firm no. Lech Walesa's aides have not made it clear which groupings would form such a bloc.

According to Andrzej Zakrzewski, head of the Office of Presidential Political Services, Lech Walesa will announce his decision on running for reelection after the Sejm speaker presents the election calendar.

"We must stop the attack of the forces of the old system; we must take the political initiative away from them," Lech Walesa told members of the Solidarity ["S"] trade union.

Lech Walesa made an appeal to build a camp of reforms; however, he did not say precisely who would form it. Which groupings does he see there? Which politicians might take care of it? The president is most certainly counting on "S." Who else is he counting on? He did not say this.

We tried to find out whether any of Walesa's aides are putting this concept into effect, whether there is anyone who is discussing the proposal with parties and trying to win politicians over to it on behalf of the president.

It looks as though there is no one like that. Lech Walesa put forward the idea, but he has not made any steps to put it into effect yet. He is probably counting on parties to accept the concept and to start implementing it with alacrity. The president can certainly count on the Non-Party Bloc in Support of Reforms [BBWR].

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Perhaps Yes

Marek Kempski, head of "S" Silesian-Dabrowa Region, says that there is a need to form such a coalition. "However, it is hard to tell whether President Walesa will be included in it," he adds. According to him, such a coalition is needed due to the current crisis on the right side of the political scene. It is possible that "S" will lead such a coalition. It is even possible that it will be headed by ["S" Chairman] Marian Krzaklewski himself. He adds, however, that this should not be linked with the presidential elections.

If "S" were to be part of such a bloc, it would have to be certain what benefits it would reap, as well as what the members of this coalition would think about the law on trade unions, about the Labor Code, and about division of trade union property. "It may turn out, for example, that when members of the proreform coalition win the parliamentary elections, they will prepare a law which will limit union rights."

According to Kempski, all the parties that are to the right of the Freedom Union [UW] would have a chance to be included in the coalition, along with "S." Thus, cooperation with UW and the Union of Labor [UP] is out of the question. Kempski believes, however, that some unionists think it would be possible to cooperate with the Polish Peasant Party [PSL].

Rather Yes

Adam Slomka of the Confederation for an Independent Poland [KPN] is convinced that it is indispensable to form such a bloc and that it should be based on parties which are part of the St. Catherine's Covenant, as well as "S" and KPN. The alliance might also include Lech Walesa, who is a symbol for many people, and some Christian groupings. In such a coalition, however, there would be no room for parties which have situated themselves outside of the patriotic bloc: UP, Democratic Left Alliance, part of UW, as well as "groupings which do not want to cooperate with this bloc." PSL might be squeezed into this formula, but this depends on the awareness of the party's leaders, the KPN deputy chairman says.

"Better late than never," Ryszard Czarnecki, leader of the Christian-National Union [ZChN], comments on Lech Walesa's proposal to form a broad bloc of proreform forces. After a while, Czarnecki adds: "Wise after the event."

Ryszard Czarnecki does not rule out that such a bloc may actually be formed—aside from ZChN, it should also comprise other "extraparliamentary, and perhaps some parliamentary" groupings.

Who will definitely not be included in the bloc? "I do not want to exclude anyone in advance; however, there are groupings in which aversion to Walesa is greater than aversion to the communists," Czarnecki believes.

"The possibility cannot be ruled out that the president wants to roast his meat over a fire of political consolidation against the postcommunist threat; he may also want to build a political base for himself," says Czarnecki; however, he cannot see anything bad about it.

Janusz Korwin-Mikke also agrees that it is necessary to form a coalition of forces capable of carrying out the reform without any reservations. The leader of the Union for Real Politics recalls, however, that the several Solidarity governments merely strengthened socialism. "Therefore, the most reform-oriented coalition would be one formed by the military and by the police," Korwin-Mikke says, and emphasizes that "Lech Walesa did not impede reforms, but he did not particularly help to implement them, either. On many occasions his statements only reinforced antireform trends."

According to him, such a coalition might consist of such groupings as KPN, Secretariat of Center Right Groupings, perhaps PSL, "parties with identical, left-oriented views on the economy; parties which are a little socialist and a little Catholic, with a smattering of delicate anti-Semitism." "It would be fascism a la Mussolini," he says. Then Poland would have three blocs: a leftist bloc, a rightist bloc, and a fascist bloc in the center.

Rather Not

"The ideas presented by Walesa at the 'S' congress are very close to the Center Accord [PC]; they have even been partially taken right out of our party's documents," stresses Jaroslaw Kaczynski. "However, Walesa himself—as a person speaking about a communist threat—is not credible," the PC chairman adds. "It is not so that our aversion to Walesa is greater than our dislike of the communists," Kaczynski polimicizes. "We simply have not forgotten his fierce fight against the right wing and today we estimate his election chances at slightly more than 12 percent."

Jaroslaw Kaczynski is in favor of establishing a proreform bloc. According to him, however, the bloc should be centered around a different presidential candidate, not Lech Walesa. "All Solidarity forces have the duty to give up their parochial interests and this goes for UW as well," the PC chairman says. According to him, "the main interest of Lech Walesa's policies is Lech Walesa himself."

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Definitely Not

"Reforms are needed and it would be good if both the president and 'S' supported reforms in their activities; unfortunately, for the time being they are acting against reforms," says UW Sejm Deputy Jan Litynski. "It would be good if the existing reform-oriented parties won the future elections. A new grouping in favor of reforms is not needed, however, and I do not believe that there is a chance to form it. The example of BBWR showed that there is no demand for such a party. We most certainly are not interested in forming a joint grouping with 'S.' I understand, however, that Lech Walesa appealed to 'S' to become a more reform-oriented organization. If it began to evolve in this direction, then cooperation would be possible."

Solidarity To Decide Between Walesa, Strzembosz

WS1206145795 Warsaw ZYCIE WARSZAWY in Polish 12 Jun 95 p 1

[Commentary by Igor Zalewski: "Union Without a Choice?"]

[FBIS Translated Text] Lech Walesa's meeting with Solidarity was almost identical with the one held in Mielec several months ago. The trade unionists gave the president a warm welcome, then attacked him fiercely and pointed out all his major and minor sins, only to give him a standing ovation and absolve him in the end, even though Walesa did not repent.

Solidarity would like the right-wing presidential hopefuls—including Walesa—to "show their class" and choose the one most worthy from among themselves. Support from the trade union would thus be a mere formality, and not a difficult decision.

The only thing is that the conclave is a utopian concept. It is hard to imagine Walesa allowing himself to be locked in with Jan Parys [chairman of the Movement of the Third Republic] or Jan Olszewski [chairman of the Movement for the Republic] and several other "candidates for candidates" at the presbytery of St. Catherine's church. Neither he nor any other right-wing candidate who really counts—for example Adam Strzembosz—will agree to take part in something they see as a magic ritual of exotic politicians wishing to heal the Polish right.

The two main candidates both assure they have the perfect cure. The question is which one Solidarity will trust. The unionists still remember how Walesa had disappointed them in the past and feel that his promises may once again prove to be castles in the sky. They find the incumbent president's starkly demonstrated anticommunism, however, far more appealing than Professor Strzembosz's calm stance.

Time is working in favor of Walesa. The closer the presidential elections, the easier those undecided will find it to believe that he is the only effective "hammer with which to fight the communists" ["mlot na komunistow"].

Weekly Imputes Solidarity's Destabilizing Role

95EP0129A Warsaw POLITYKA in Polish 3 Jun 95 No 22, pp 1, 12

[Article by Mariusz Janicki and Wieslaw Wladyka: "Heat on the Sidewalk: Solidarity Does Not Conceal That Its Strategic Objective Is To Bring Down the Current Political Arrangement"]

[FBIS Translated Text] Last Friday, the amount of heat generated by the conflict between Solidarity and the administration of Jozef Oleksy shot up abruptly. Blood was spilled, although the critical line was not crossed beyond which it is hard to control the situation and the course of an avalanche of events. There were no fatalities. However, it was close. The dangerous efforts to trigger a great crisis which was supposed to be followed by a political turning point may, unexpectedly for the organizers of the Solidarity strike wave, run out of control. In this case, it would not even be possible to apportion the blame.

At the last stage of the Friday confrontation in front of the Sejm, Zygmunt Wrzodak brought to the crowd the false message about a slain miner. His impassive face and the ominous whispers coming from around the Ursus leader suggested that this changed everything. The miners, the organizers of the demonstration proper, reassured Wrzodak, stating that there was no confirmed message about anyone dying. A sharply worded exchange ensued, along with invectives and reckoning about exactly who stood closer to water cannons and the closed ranks of baton-charging [police] units in front of the Office of the Council of Ministers. However, the spark was extinguished before it set off the explosion. Nonetheless, one could see how little was needed in order to irreversibly cross the line of a new Polish martyrdom.

This is how the Gdansk headquarters of Solidarity got caught in a trap which it had laboriously sprung for itself. A wave of strikes planned and organized with precision could be an effective weapon as long as it is not endowed with a "revolutionary" content and forms. The events on Friday showed that we are not too far from a situation in which the leadership of Marian Krzaklewski would end and the time of ringleaders operating on their own political account would begin.

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However, for now the extensive program of demonstrations, pickets, and strikes adopted by Solidarity still applies. The period from 26 May to 2 June (with the exception of Saturday and Sunday which are days off) is supposed to be a "week of testing the intent of the government" which will either sit down at the negotiating table in order to talk (after all, "to talk" has become a magic word as if such talking was able to produce more money or eliminate problems) or resolve to go for a confrontation. Pickets and demonstrations by a succession of regional chapters of the union have been held (and will be held, as the Gdansk headquarters assures us) in front of the Office of the Council of Ministers and various ministries. They are held according to the established timetable under which it was precisely Silesia and the Basin that were to lead (they are perhaps the heaviest artillery of the union otherwise). On 1 June, the sector financed from the budget is to get going in earnest, in particular the educational and public health establishments. Local manifestations are also expected, among others in Kielce, Kalisz, Pila, and Zielona Gora.

If this accomplishes nothing, then the National Congress of Solidarity on 8 June will decide what to do next. In all honesty, solutions are already known anyway: a large demonstration in Warsaw with the participation of representatives from all industries and regions of which the last demonstration could prove to have been but a modest rehearsal, and a nationwide general strike, but all of this will happen as late as the end of August or early September. The exact date is to be determined later, perhaps depending on the dynamics of the presidential election campaign.

To be sure, following the Friday clashes, Prime Minister Oleksy promised to hold a meeting of a further, unspecified nature with trade union leaders and employers. However, knowing the animosity of the two largest trade union groups, this cannot be expected to resolve the issue in a satisfactory manner or delay the strike schedule. As it were, a victory which is too easily won is a suspect victory. Krzaklewski and his associates who, to be sure, are somewhat concerned about the course of events on Friday in Warsaw, appear to believe that if strikes and demonstrations are contained before reaching a critical point and do not go overboard, they will accomplish what they are supposed to.

At present, the spring strikes appear to be somewhat premature to some on the National Commission. Voices of concerned trade unionists are heard to the effect that the behavior of the Jozef Oleksy government, or at least its extremist wing, is deliberately sustaining the current wave of strikes in order for it to naturally spend itself before the height of the election campaign; Aleksander Kwasniewski would thus be able to boast stabilization and peace ensured by his people in the Office of the Council of Ministers and the ministries. Is it not known that each protest has dynamics of its own and it cannot be kept up for a long time artificially, the entire trade-union dedication notwithstanding?

This perception of a false start unwittingly betrays the actual intent of the strike strategists. It is known that reasons to strike exist or can always be found. After all, the condition of public unhappiness is powerfully rooted in the present-day working and living conditions of millions of people. All that is needed is to clearly and distinctly state the reasons for this misery, indicate who the culprits are, and subsequently draw up a list of demands on which political provisions (be they constitutional, "religious," or, finally, presidential) can be successfully placed next to so-called social points. In other words, it is not difficult to trigger a wave of strikes; the point is to use this wave effectively to political ends, so as to channel the wrath of the people in the appropriate direction.

The Direction of Offensive

The offensive is aimed against the Jozef Oleksy government and everything that it stands for directly or indirectly, as well as Aleksander Kwasniewski, a strong presidential candidate. A blow struck at the government as the employer and the keeper of state coffers brings back the old pattern: The Communists govern and do not want to give more money whereas the people rise up against them for proper considerations and demands, just the way it was in olden times. According to Piotr Zak, spokesman of the Solidarity National Commission, two schools of thought exist in Oleksy's cabinet. The first is the compromise school, and the second strives for a large-scale conflict. If we were to ask about specifics, it would turn out that Bogdan Pek, a PSL [Polish Peasant Party] deputy, is supposed to be "pro-dialogue." However, as it were, he is not a cabinet member, and one might even say he is exactly the opposite: After all, the prime minister himself disavowed the deputy's mission. Some further, unspecified conciliatory group is supposed to be operating within the SLD [Alliance of the Democratic Left]. In turn, Grzegorz Kolodko who "represents former PZPR [Polish United Workers Party] members in the government" is the bad guy.

Solidarity does not conceal that its strategic objective is to bring down the current political arrangement. If the premises of the National Commission policy were to be characterized briefly, they would look like this: The government has a duty to talk to Solidarity and to carry out the resolutions which emerge by way of compromise, because at issue is a social dispute; for its part, the union, just as any democratic entity,

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has the right to question the current political order, including through the use of social protest actions. After all, nobody defines straightforwardly which methods are permissible and which are not. Therefore, the ideological stance of the government amounts to malice and ill will whereas Solidarity has a natural right to its ideological stance.

Therefore, Marian Krzaklewski gains the mandate to play the role of the chief manager. Even Lech Walesa does not disregard eventual support from the trade union as well for the right-wing groups with which it flirts in various ways. The clout of the Solidarity chairman in this matter grows with each successful day of protests. The standard of coordination of trade union actions which is indeed as impressive as ever is also important. One can already set one's watch by the protest actions, can one not? Coordination amounts to control, and control amounts to power. Besides, the National Congress of the union is drawing closer at which readiness, vitality, and fellowship can be demonstrated unless the entire plan collapses first and random elements win out over organization.

A Check for the OPZZ

By going on the offensive Solidarity created a new political situation. At the very least, it put the OPZZ [All-Polish Trade Unions Agreement] on the defensive. By leading the people and setting political goals for them, Marian Krzaklewski checked Ewa Spychalska, whose political affiliations make it hard to defend the people at the level imposed by Solidarity. Solidarity refers to a political contract concluded between the SdRP [Social Democracy of the Polish Republic] and the OPZZ which is supposed to state that there will be no bilateral talks between the left-wing cabinet and Solidarity. In Solidarity's view, the Oleksy government meets its commitments to the OPZZ with the utmost fervor. This is the case despite the May 1992 agreement on procedures for settling disputes between the National Commission and the state administration still being valid, according to the activists of the Solidarity National Commission (it was won toward the end of the existence of Jan Olszewski's cabinet, and then also as a result of a large, nationwide protest action): In each instance, negotiations are supposed to start within a week of the trade union becoming involved in a collective dispute. No such talks have been initiated recently. Solidarity still accuses the government of failing to comply with successive agreements. At first, Oleksy confirmed that there would be no bilateral negotiations, but he was not as categorical later. On the other hand, Solidarity did not send thousands of miners to Warsaw in order to meet with Ewa Spychalska at the negotiating table.

The deputy and leadership elite of the OPZZ resolutely reject almost all Solidarity demands. Maciej Manicki, the deputy chairman of the trade union group, openly said the following on the pages of the trade-union press about Solidarity's favorite project which flutters on many of the strike banners and concerns universal endowment with property: "The slogan put forth by Solidarity is but hollow words, it is an illusion and an element of the election campaign. Most of all, it is an economic can of worms which we should resolutely oppose to the very end." A similar assessment has been made of the so-called public draft Constitution of Marian Krzaklewski. Meanwhile, the OPZZ accuses Solidarity of developing secret scenarios for public protest actions.

However, voices criticizing the government were also heard at the last congress of the Mazowsze OPZZ. The trade union "grassroots" are obviously concerned about the expansion of their rival from Gdansk and their passivity against this background, which may pose yet another threat to the Oleksy cabinet in the future—especially if it turns out that Solidarity strikes produce perceptible results. In this case, supporters [of the OPZZ] to date would get in line to make demands. As it is, Ewa Spychalska's position is not cast in stone. Incidentally, the political nature of the latest protest action is all the more apparent against the background of the passivity of OPZZ to date whose members actually work at the same enterprises as Solidarity members.

A Check for the Government

Apart from "restoring order in the streets," the government has not directly responded to the demands of Solidarity; it has been evasive and pointed to Deputy Prime Minister Kolodko. The latter would not produce his pen and sign the agreement worth trillions of old zlotys. Personally, he says that the trade unionists are poorly informed because many demands are in the process of being met. The degree of understanding in this matter may be considered zilch.

They also point to the Ministry of Industry, and the latter mentions the Trilateral Commission. In turn, the commission is not recognized by Solidarity which views it as an incompetent front. Besides, the commission is such a front indeed. Employers (the third side next to the government and the trade unions) are poorly represented and only competent to a small degree. How could it be otherwise, given that privatization is limping along and a strong business group which is independent of the successive governments simply cannot form, just is not in any position to form?

Meanwhile, Solidarity activists from 200 single-person partnerships of the State Treasury met with Marian

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Krzaklewski toward the end of April. At this meeting, they resolutely rebuffed privatization undertakings of the government. This is supposed to last until a nationwide referendum is held on the issue of universal endowment of citizens with property. For now, strike referendums are being organized in these partnerships. This is how the nucleus of a substantive compromise platform is being trampled in the course of a search for it. This is how a vicious circle mercilessly closes.

The dispute between Solidarity and the current government appears impossible to settle from a structural point of view. The Oleksy cabinet will certainly yield to demands in instances where it finds itself in utter need, reiterating in the process that it is only doing so out of a feeling of responsibility for the country since it should not actually be the one to settle such disputes and solve such problems in a market economy. The government will use alternatively the tactics of determination and pliability, of tightening and loosening in various areas so that the entire frontline will more or less remain in place. It will also use force but in such a way as to avoid the worst; however, some things cannot be foreseen.

The government, which is cast by Solidarity as the "owner of the state" and painted as Kwasniewski's presidential vehicle, will also pay for having come from the loins of the left and be paralyzed by fear of an open conflict with workers who have already scared the daylights out of the Communists once. As far as Marian Krzaklewski is concerned, he eagerly views Oleksy and his associates as old Communists. It certainly was, and will still be difficult to have the police act aggressively. The fact that a person from the president's cadre is in charge of the MSW [Ministry of Internal Affairs] detracts from the responsibility of the prime minister, and also Kwasniewski, only to a minimal degree (although it could present something of a problem for Lech Walesa).

The Chief Surveyor

Under the circumstances, the stance of the opposition can be very significant, especially that of the Freedom Union which still retains the position of the arbiter and chief surveyor on the political and psychological map of Poland. The Freedom Union is first of all the bearer of the notion of transformational reform; the Freedom Union provides the yardstick and knows best what is historically "proper" and "correct" in its self-appointed role with the quite universal acquiescence of others. However, in this case, too, the apparently simple considerations become complex under the pressure of political games. A resolute denunciation of the strike at Ursus by Union chairman Leszek Balcerowicz was not expressly supported by other leaders of this party. Its activists have in principle adopted the tactic of criticizing the government for slowing down the reforms first, and only then criticizing the methods used by Zygmunt Wrzodak.

Two elements are clashing within the Union: The first ordains that the market economy, whose rules many Solidarity demands obviously contradict, needs to be persistently protected; the second does not allow for support of the Oleksy government, all the more so because in its background one can see Kwasniewski, one of the main rivals of Jacek Kuron in the fight for the presidency. Depending on which of the two orientations prevails, the Union will be either a quiet ally or a vociferous enemy of the government. However, as usually is the case in politics, the interests of the minute, or presidential interests, will rather get the upper hand.

Therefore, the scenarios are not optimistic. By all signs, Solidarity will fan and extinguish strikes, taking advantage of the unhappiness of still new groups of workers as the determination of other groups wanes. Permanent elements of the game will be as follows: a climax of protests in September, continuous hesitation as to whom to support in the election, and the linkage between such support and the assumption by the candidate of the obligation to dissolve the parliament after the presidential election.

Added to this will be pressure for a constitutional referendum; let us note here that only the Solidarity draft fully meets the requirements of the members of the church hierarchy. (Solidarity also likes to make references to the social teachings of the church, and it is worthwhile to note in this instance that the following statement is found in the encyclical "Laborem Exercens": "Unions which pursue political objectives easily lose touch with their specific mission, that is, upholding the proper rights of the working people within the framework of the good of society as a whole").

On the other hand, radical attitudes may resolutely prevail in the government burdened by the unreliable PSL which is being enticed by the right wing. In the governing group, there is no dearth of personalities whose ill will or outright hatred for Solidarity goes back a long way, for a dozen or so years, and who can act irrationally.

It may be that we are having to do with yet another seasonal escalation of protests amplified by the election fight. However, it is also possible that this is a message to the effect that the extensive mode of reform implementation, a peculiar mode of small steps of which some are taken backward, a mode of "carrying on plots" and creatively building on the deeds of one's predecessors, is coming to an end, that new powerful

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impulses are needed, of both an economic variety (e.g. invigorating the withering privatization, reforming the budget-financed sector) and, perhaps even more importantly, a political variety (say, an attempt at challenging, especially from the position of the stronger party, the political division into two Polands which, unless "cured," cannot but mount monstrously following the possible election of Kwasniewski to the presidency).

However, the logic of a presidential election campaign in which the candidates must reach the mass, "common" electorate favors political impulses of a different sign. Certainly, Jan Maria Rokita who acknowledges after the fact that Jaroslaw Kaczynski was right, is himself correct in saying at present that a universal presidential election does more harm than good and that it would be better for the National Assembly to elect the head of state.

Solidarity's strikes are a fact which gives a political advantage primarily to Lech Walesa in the fight for the Namiestnikowski Palace. He is already trying to find a common language with the strikers. Upon returning from Budapest, he immediately stated that "the people are right" (that is to say, not the government) and received Marian Krzaklewski on Sunday. Before the endgame he will certainly be able to influence the intensification or extinguishment of protest actions. Later, he will return to the tactics we know: positive minuses or negative pluses. Aleksander Kwasniewski, even if he pushes his way through strikes to become president, will later hold office with their unavoidable threat. In his case, strikes will always be personally addressed during his term. That much is more or less clear. Out of the candidates we know, any president will, one way or another, ultimately come face to face with Krzaklewski and Wrzodak.

Chechen Official Denies Radio Broadcasts

WS1306103295 Warsaw RZECZPOSPOLITA in Polish 13 Jun 95 p 29

[Report by "R.BI." under the "Day in the World" rubric: "Radio 'Free Caucasus' Is Not Broadcasting"]

[FBIS Translated Text] Quoting Moscow NTV television, PAP has reported that Radio "Free Caucasus" has begun broadcasting [from Krakow]. "The report is untrue," said Maciej Jachimczyk, deputy chairman of the board of the Krakow-based "Chechen Information Center," in comments to RZECZPOSPOLITA on Monday. It is true, however, that an editorial board at Radio "Free Caucasus" has been established and is already recording programs on audio cassettes. Jachimczyk firmly stated that the Chechen radio has not and will not begin broadcasts unless it receives the required permits or a license.

Trade With Former Soviet States Increases

95EP0122A Warsaw RYNKI ZAGRANICZNE in Polish 16 May 95 No 58, p 3

[Article by Mikolaj Oniszczuk: "Poland's Economic Cooperation With the Eastern and Baltic States"]

[FBIS Translated Text] Overall trade between Poland and the 15 countries of the former USSR increased in 1994—following several years of stagnation—by nearly 26 percent, reaching about $3.7 billion. Exports to these countries reached the level of $1.527 billion, increasing by 41.5 percent, and imports amounted to $2.101 billion, increasing by 16 percent. Thus these countries accounted for 9.6 percent of global Polish foreign trade.

CIS countries had the greatest significance in this trade. Of these, the Russian Federation was the principal partner ($2.4 billion), and Poland's third largest—after Germany and Italy—trade partner. It accounted for 5.4 percent of our exports and 6.8 percent of imports. This was followed by Ukraine and Belarus, which accounted for 1.2 and 0.8 percent, respectively, of total Polish foreign trade.

The Baltic states continued to be minor trade partners (0.7 percent). But it is noteworthy that our trade with them markedly increased last year, reaching $264.4 million (an increase of 37.7 percent compared with 1993), of which $169.4 in exports (+ 128.6 percent) and $95 million in imports (a decline of 19.5 percent). Among the Baltics, Lithuania was the principal partner; trade with it increased by nearly 40 percent.

Structure of Trade

Las year, as in 1993, a characteristic feature of Polish exports to Eastern and Baltic markets was the dominant position of agricultural and food shipments. In the case of CIS countries, these shipments reached $520 million, increasing by 76.3 percent compared with the preceding year. Their share in overall exports to that market was about 37 percent. Agricultural and food exports to the Baltic states reached $60 million, increasing by a factor of 2-3, and they also accounted for about 37 percent of all Polish exports to these countries.

Of major importance in exports to all the countries discussed above are shipments of products of the electrical machinery and chemical industries, as well as of mineral products, followed, to a much smaller extent, by shipments of textile materials and products, base metals, and miscellaneous merchandise.

The structure of imports from the Eastern countries is dominated by mineral products, including crude

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petroleum and natural gas. In 1994 these shipments from CIS countries amounted to $1.337 billion, thus being 9.7 percent higher than in 1993. They account for about 67 percent of overall imports from CIS countries. Other major commodities imported are chemicals and textile materials and products. Imports of agricultural and food commodities and products of the electrical machinery industry rank last.

Imports from the Baltic states are dominated by mineral products and agricultural and food commodities. In addition, Poland imports from them textile materials and products, along with products of the electrical machinery industry. However, the value of these shipments is low.

Poland's trade with the countries of the former USSR has been characterized since 1991 by a negative trade balance. This is due chiefly to the scale of the imports of fuels and raw materials, especially energy resources, that is of commodities valued in hard currency.

In 1994, Poland's negative balance of trade with CIS countries totaled $604 million, of which $532 million was in trade with Russia, about $32 million was with Belarus, about $47 million was with Kazakhstan, $55 million was with Uzbekistan, $5.2 million was with Turkmenistan, $12.7 million was with Tajikistan, and there was a minimal trade deficit with Azerbaijan. In contrast, a positive balance of trade existed with Armenia, Kirghistan, Georgia, and Moldova. Also positive for Poland was its balance of trade with all the Baltic states, especially with Lithuania ($33 million).

Economic Obstacles to Growth of Trade

It should be emphasized that last year the conditions of trade with the Eastern (CIS) and Baltic states were difficult. The economic performance of Russia and other Eastern countries demonstrates how deep their crisis is.

In all the Eastern countries and in nearly every domain of their economies the trends were downward. In macroeconomic terms, the scale and extent of the economic crisis in the individual countries are characterized by the following indicators:

—Gross domestic product: In comparable prices, it declined by 18-24 percent, by 15 percent in Russia, by about 18 percent in Ukraine, and by about 24 percent in Belarus. Even deeper GDP declines were recorded in such countries as Georgia, Tajikistan, Kirghistan, and Kazakhstan. Declines in GDP came to a halt only in Armenia and Uzbekistan.

—Industrial output: In 1994 industrial output declined in comparison with 1993 in all these countries (by an average of 25 percent) with the exception of Armenia. In Uzbekistan, the industrial output level was close to that achieved in 1993. In the other countries the decline was deep. In Russia, industrial output declined by 21 percent, in Belarus by about 20 percent, and in Ukraine by roughly 30 percent. In Russia's case this was the deepest decline since 1990; in that country industrial output declined by 8 percent in 1991, by 18 percent in 1992, and by 16 percent in 1993.

—Farm output: This is one of the weakest domains of the economies of CIS countries. The defective organization of farming for decades and the shortage of means of production and processing and storage facilities have been chronic diseases of the agriculture of the Eastern countries, and especially of Russia and Ukraine. Attempts at reform in these countries are making very sluggish progress. That is due to the shortage of the investment resources needed to expand the processing and storage infrastructure.

In effect, overall farm output in the Russian Federation was last year 9 percent lower than in 1993, and in Belarus 14 percent lower. In Ukraine and Kazakhstan farm output declined to a similar extent. The only positive trend last year was the considerable increase (by about 40 percent) in cotton harvests in Uzbekistan and Turkmenistan.

The general agrarian crisis has resulted in a marked increase in the demand of Eastern countries for imports of agricultural and food products, both raw materials and highly processed products, including foods.

—Investment: Here the symptoms of the crisis are at their deepest. In 1994 investment outlays in the Eastern countries declined by 27 percent, by about 46 percent in Azerbaijan and Kazakhstan, by 30 percent in Ukraine, by 27 percent in the Russian Federation, and by 26 percent in Belarus.

The principal causes of this crisis situation are thought to be, according to Russian experts, the high inflation rate (three- to four-digits annually), the high cost of credit, the considerable investment risks, and major flaws in the tax system. A particularly menacing trend is thought to be the low share of long-term investment projects. Likewise, the influx of foreign capital is low. In contrast with the Eastern countries, trends in the Baltic states have been upward. In these countries economic growth is a characteristic feature, owing to their introduction of institutional and structural reforms and solutions favorable to the influx of foreign capital.

In the Baltic region in 1994 the following trends were recorded:

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—Gross domestic product increased by 3.3 percent in Lithuania, 4.2 percent in Latvia, and 5.8 percent in Estonia.

—Industrial output increased, with the exception of Lithuania.

—Foreign trade increased, on being reoriented in the direction of highly developed countries.

—Foreign investment was spurred, especially by the Scandinavian countries and West Europe, and by Poland as well.

—Liberalization of duties, taxes, and possibilities for forming a banking infrastructure.

The adverse trends include the persistence of negative balances of payment (about $200 million owed by Lithuania, $100 million by Latvia, and $140 million by Estonia) and high—though, to be sure, diminishing—inflation rates (45 percent in Lithuania, 38 percent in Latvia, and 43 percent in Estonia).

Adjustments of Foreign Economic Cooperation

Foreign economic cooperation is a subject of special interest to all the Eastern and Baltic states and of an already high proactivism among the companies and entities implementing—through direct [rather than government-mediated] contacts—export-import transactions and other undertakings.

This is confirmed by the results achieved in 1994, which should be viewed as being among the few symptoms of positive trends in the economies of the CIS countries. According to as yet incomplete data on the volume of trade for the individual countries, the following most characteristic trends and occurrences may be indicated:

—In 1994 there was marked growth in overall trade (exclusive of trade among the countries known as "the near abroad"). Exports increased by about 7 percent and imports by about 6 percent compared with 1993. In this context it is worth noting that Poland increased its exports to the countries of the former USSR by 41.5 percent and its imports from them by 16 percent, that is, to an incomparably higher extent.

—While imports were generally higher than exports for these countries, significant increases in exports were recorded by Russia, Belarus, Ukraine, Uzbekistan, Tajikistan, and Armenia, and in imports by Ukraine, Kazakhstan, Armenia, Kirghistan, and Azerbaijan.

—The geographical structure of trade and cooperation in the CIS and Baltic states varies greatly. This applies especially to the countries other than Russia. In the case of the Russian Federation, its principal trade partners are highly developed countries (which accounted for 68 percent of overall trade compared with 60 percent in 1993), while the share of the countries of the former CEMA has been steadily decreasing (from 16.8 percent in 1992 to 11 percent in 1994). In this context, the situation as regards trade with Poland (a 24-percent increase) is viewed positively.

—The commitment of foreign capital to investment in the individual former countries of the USSR is growing, although to a moderate and insufficient extent. In 1994 foreign investment in Russia, chiefly in the fuel industry ($934 million), totaled about $1.4 billion. Poland's activities in this respect were limited, although in terms of the number of newly established joint enterprises and companies they were rather considerable, especially in Russia, Ukraine, Belarus, and Lithuania.

—Foreign debt is rising from one year to another, for both the Eastern and the Baltic states. The greatest amount is owed by the Russian Federation. According to currently published data, foreign debt reached $112.7 billion ($103.9 billion owed by the former USSR and $8.8 billion owed since the disintegration of the USSR). This factor restricts the payment ability of Russia and is prompting an increase in exports.

A characteristic feature since 1992 has been the variability of the laws concerning directly or indirectly foreign economic cooperation of the Eastern and Baltic states. But, except in the case of the Baltic states and Belarus, that variability has not markedly affected the growth of Polish exports and, in the case of other countries, especially Russia and Ukraine, its effect has been tangible.

Instruments for Promoting Trade

The growth of economic cooperation with the Eastern and Baltic states requires rapid and effective actions to promote the competitiveness of Polish export products, improve the banking and financial servicing of exporters, and initiate measures that facilitate coping with the requirements of competition on the Eastern markets. These are the key objectives for 1995 and subsequent years.

For the time being the principal role in servicing trade with the Eastern countries is played by Bank Handlowy SA in Warsaw. This bank, as the only one, was commissioned to handle linked, governmental import-export transactions and to conduct and clear compensation (barter) transactions. It handles transactions in the "Eastern" direction that require crediting (e.g., deferred-payment letters of credit) in the case of cooperation with the International Moscow Bank (which has a high financial standing). Twenty "loro," i.e., open hard-currency accounts have been opened at Bank Handlowy on behalf

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of banks in Russia, Belarus, Ukraine, the Baltic states, the Central Asian republics, and the Transcaucasus.

In July 1992, the Lublin Bank Depozytowo-Kredytowy SA opened an office in Belarus. It handles a network of "loro" accounts for banks in the Eastern countries. The customers of Lublin Bank also have at their disposal accounts in banks in Russia, Ukraine, and Belarus. Moreover, that bank has obtained consent to open an office in Ukraine (probably in Lutsk).

Good institutional contacts with the Eastern countries are maintained by Bank Polska Kasa Opieki SA. Its branch in Vilnius is active. It also cooperates with Latvia and Estonia. It has a permit to open an office in St. Petersburg.

The Poznan Bank Rozwoju Rolnictwa [Bank for Agricultural Development] has opened a branch in Kaliningrad. A permit to open an office in that city is being applied for by the Warsaw Kredyt Bank SA. That bank has acquired—on the principle of reciprocity—a several-percent block of shares in the Belarussian "Priorbank."

A commendable initiative was the conclusion (on 30 November 1994) of an agreement for direct cooperation between Bank Wschodnioeuropejski SA [East European Bank] and a Russian bank. The subject of the agreement is a secure and efficient financing system and the servicing of partners. A specific way of building bridgeheads for cooperation with Eastern partners was initiated by the Krakow Bank Przemyslowo-Handlowy SA [Bank of Industry and Commerce] when it opened five offices along the eastern boundary of this country, namely in Augustow, Bialystok, Biala Podlaska, Krosno, and Lublin.

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In 1995 attention is being principally focused on consolidating the trends for the growth of exports to such priority markets as the Russian Federation, Ukraine, Belarus, the Baltic states, Uzbekistan, and Kazakhstan. In terms of commodity structure this will concern shipments of agricultural and food products, investment equipment, and certain durable consumer goods. Negotiations are moreover underway for concluding economic cooperation agreements with Turkmenistan, Tajikistan, Azerbaijan, and Lithuania with the object of creating a free-trade zone.

Certain changes also are to occur in the work of the Polish economic and trade missions located in the Eastern and Baltic states. Above all, these missions are now to place great emphasis on promoting exports and supporting the activities of Polish producers and exporters on the markets of these countries. In addition, the network of these missions is to be expanded. This year three new missions are to be established in Alma Ata, Tallin, and Riga, with more to follow in Kishinev, Tashkent, Ufa, Novosibirsk, and Tbilisi.

Trade With CIS Countries in 1994

Item	Exports		Imports		1993 = 100 percent	
	Value (in thousands of dollars)	Share (in percent)	Value (in thousands of dollars)	Share (in percent)	Exports	Imports
Agricultural and food products	520,466	37.1	76,727	3.8	176.3	148.0
Mineral products	127,234	9.1	1,327,275	66.6	176.6	109.7
Chemicals	216,110	15.4	193,043	9.6	115.7	147.6
Textile materials and products	55,547	4.0	169,943	8.5	89.0	177.6
Base metals	38,489	2.7	87,969	4.4	126.0	118.6
Products of the electrical machinery industry	275,752	19.7	81,157	4.1	89.5	106.5

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Item	Exports		Imports		1993 = 100 percent	
	Value (in thousands of dollars)	Share (in percent)	Value (in thousands of dollars)	Share (in percent)	Exports	Imports
Miscellaneous	168,364	12.0	60,378	3.0	206.4	130.5
Total	1,401,962	100.0	2,006,493	100.0	135.2	118.5

Trade With Baltic States in 1994

Item	Exports		Imports		1993 = 100 percent	
	Value (in thousands of dollars)	Share (in percent)	Value (in thousands of dollars)	Share (in percent)	Exports	Imports
Agricultural and food products	60,553	35.7	21,063	22.2	213.8	60.7
Mineral products	3,869	2.3	26,832	28.2	207.5	134.6
Chemicals	35,679	21.1	11,623	12.2	349.0	87.6
Textile materials and products	9,624	5.7	7,103	7.5	100.9	165.2
Base metals	5,589	3.3	8,914	9.4	250.5	60.4
Products of the electrical machinery industry	32,149	19.0	11,049	11.6	209.4	75.1
Miscellaneous	21,911	12.9	8,475	8.9	282.8	51.9
Total	169,354	100.0	95,060	100.0	228.6	80.6

Trade With the Eastern and Baltic States (in thousands of dollars)

Country	1993			1994		
	Exports	Imports	Total trade	Exports	Imports	Total trade
Total, CIS countries	1,036,710	1,693,699	2,730,409	1,401,962	2,006,493	3,408,454
Armenia	910	169	1,079	3,928	227	4,156
Azerbaijan	7,791	7,904	15,695	2,670	3,705	6,375
Belarus	103,208	114,093	217,301	133,654	165,059	298,713
Georgia	1,380	302	1,682	1,178	451	1,630
Kazakhstan	32,143	44,241	76,385	26,973	74,348	101,320
Kirghistan	3,555	438	3,993	999	624	1,623

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Country	1993			1994		
	Exports	Imports	Total trade	Exports	Imports	Total trade
Moldova	2,280	1,315	3,595	4,767	2,022	6,789
Russia	644,583	1,271,338	1,915,921	918,728	1,451,118	2,369,900
Tajikistan	11,026	1,678	12,704	2,765	15,457	18,221
Turkmenistan	23,789	10,056	33,845	6,640	11,855	18,495
Ukraine	187,717	201,126	388,844	277,701	204,548	483,249
Uzbekistan	18,326	41,038	59,366	21,906	77,078	98,984
Baltic states, total	74,100	118,020	192,120	169,354	95,060	264,415
Estonia	4,794	8,045	12,839	14,413	8,509	22,922
Lithuania	45,634	90,459	136,093	111,758	78,475	190,233
Latvia	23,672	19,516	43,188	43,184	,076	51,260
Total, countries of the former USSR	1,110,810	1,811,719	2,922,529	1,571,316	2,101,553	3,672,869

Privatization Ministry Evaluates National Assets

WS0706141895 Warsaw RZECZPOSPOLITA in Polish 5 Jun 95 p 7

[Report by Ada Kostrz-Kostecka: "What Remains To Be Privatized: Assets Worth 69 Billion Zlotys"]

[FBIS Translated Text] Companies with an approximate book value of 69 billion zlotys [Z] still remain to be privatized. Such are the estimates of the Ministry of Privatization, calculated on the basis of data and reports from the Central Office of Statistics, the Ministry of Finance, and the Warsaw Stock Exchange.

The firms include state companies that have not yet been privatized, State Treasury joint stock companies that have neither been sold nor included in the National Investment Fund [NFI] project yet, state-owned companies in the finance sector (banks and insurance companies), and companies partially owned by the State Treasury (the so-called residual estate—companies privatized by the capital method in which the state holds small packets of shares and companies some shares of which have been sold in a public offer that are seeking a strategic investor). The State Treasury still has a 25 percent stake in companies that have already been included in the NFI's.

Estimates show that at the end of 1994 there were still almost 4,000 state-owned companies. The total value of net tangible assets (machinery and buildings minus amortization) of those companies totaled Z38.9 billion. Approximately 50 percent employ fewer than 50 people, which means they are small and best suited for direct privatization.

The next group are 502 single-proprietorship companies owned by the State Treasury with an estimated total value of Z18.3 billion. The value of 11 banks and three insurance companies that meet privatization requirements was calculated at Z4.35 billion.

The State Treasury also has minority stakes in 30 companies traded on the stock exchange and in 84 companies sold to foreign investors. The value of share parcels and interest is estimated at Z2.1 billion. Another category is the 25 percent stake and shares in more than 400 companies that are to be included in the NFI project. Their value is estimated at Z1.5 trillion.

In the course of calculating the value of "assets meeting privatization requirements," the Ministry accounted for the net profits in 1994. This had the effect of raising the net book value of companies in terms of resources and capital.

What Privatization Revenues Will Allow

An estimated Z2.33 billion should reach the budget this year in revenues from privatization (both indirect and direct), including banks. Revenues in the amount of Z400 billion on fees for distributing share certificates within the NFI project were not taken into consideration. The budgetary revenues, as the Ministry has already announced, may be smaller in subsequent years because the most attractive companies—the consumer branches—have either already been privatized, or will

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be privatized this year (such as the tobacco industry). Companies with a high book value but which are difficult to sell will remain (for example, steelworks).

The government is considering allocating part of the revenues to pay debts the budget owes the citizens, in accordance with rulings of the Constitutional Tribunal. The draft law on compensatory funds provides that shares in these funds would be distributed among people who had previously received compensatory certificates as a form of settlement. This would thus echo the NFI project. The draft law was discussed in early May at a joint session of the Economic Committee and the Sociopolitical Committee of the Council of Ministers and—once it is amended—it is to return to the agenda at one of the next sessions of the Economic Committee.

The claims have been provided for in five rulings passed by the Constitutional Tribunal. On 29 January 1995, it stated that the salaries of public sector employees (approximately 2.4 million) have not been indexed in the period of 1 July-31 December 1991. In the same period, branch benefits were not paid out to some pensioners for work in particular (harmful) conditions or for performing very specific jobs (for example in some chemical plants or shipyards). The Constitutional Tribunal's ruling on the issue is dated 11 February 1992. Two subsequent rulings, both passed in 1993, pertained to pensioners and employees in the public sector, namely the issue of abandoning the indexation of salaries in the public sector in the first half-year of 1992 and rescheduling the indexation of pensions in 1992. The Sejm deemed these rulings legitimate. One further ruling of the Constitutional Tribunal on pensioners, dated 10 January 1995, will most probably also be approved by the Sejm.

The Ministry of Labor and Social Welfare is still working on the assessment of the value of the claims. Only the maximum claims dating back to 1991-93 that provide for indexation and inflation adjustment may reach an approximated value of Z15 billion, estimates [Privatization] Minister Wieslaw Kaczmarek.

It is assumed that the privatization of the remaining national assets will allow to financially support the social security reform project (the costs of which are estimated at Z25 billion) and pay reprivatization claims (with an estimated value of Z18 billion). Some of the assets are to be allocated to the conversion of our foreign debt.

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Italy Lifts Veto on Signing of EU Agreement

AU1206161195 Ljubljana Radio Slovenia Network in Slovene 1330 GMT 12 Jun 95

[Report by Edo Zitnik in Luxembourg—live]

[FBIS Translated Text] Good day! We have learned unofficially that Italy has lifted its veto, if I may say so, on the initialing of the Slovene agreement [on EU associate membership]. If this is indeed true, then Slovene negotiator Dr. Lukman and EU negotiator Serge d'Abou will probably initial the agreement sometime this week.

Italian Foreign Minister Agnelli in today's debate separated the problem of the agreement's initialing from the signing of the agreement itself. For this reason, the debate on the final signing of the agreement has yet to take place.

Foreign Minister Agnelli also emphasized that bilateral issues between Slovenia and Italy are still a matter of further negotiations and that the states will resolve them later.

As for Slovenia's participation at the EU summit in Cannes, the Italian position is that the French presidency over the European Union should decide about it, which really means that Paris will decide on it. According to the unofficial information here, this should not be too big a problem because France favors Slovenia being officially invited to the EU summit in Cannes.

Thaler Calls For Promotion of Ties to Iran

LD1206172695 Tehran IRNA in English 1635 GMT 12 Jun 95

[FBIS Transcribed Text] Tehran, June 12, IRNA—Slovenian Foreign Minister Zoran Thaler in a meeting with Iranian accredited Ambassador to Ljubljana Mehdi Mohtashami called for the expansion of bilateral ties.

Iran and Slovenia have political will for promotion of ties, Thaler told Mohtashami.

Thaler accepted Iranian ambassador invitation to visit Iran and voiced hope to visit Iran in near future.

Meanwhile Mohtashami in a separate meeting with Slovenian minister of science and technology studied the expansion of Tehran-Ljubljana ties in the areas of training and research, exchange of student and university professors and research institutions' cooperation in arranging short-term and long-term research courses for researchers.

Talks on Slovene Share of SFRY Debt Viewed

Percentage vs. Concrete Sum

AU0906152995 Ljubljana Radio Slovenia Network in Slovene 1330 GMT 9 Jun 95

[FBIS Translated Text] It seems that the talks of our delegation and an 11-member committee of a consortium of international commercial banks about the repayment of the Slovene share of debt of the former Yugoslavia [the Socialist Federal Republic of Yugoslavia—SFRY] have ended successfully in New York. They agreed to announce the details simultaneously in New York and Ljubljana, at 1600 [1400 GMT] today.

As Uros Lipuscek reports from New York, National Bank Governor Dr. France Arhar said after the talks that he was an optimist and that the people in Ljubljana were too pessimistic regarding this issue:

[Begin Lipuscek recording] The latest round of negotiations lasted three days. As we have learned unofficially in U.S. banking circles, three banks—Chase Manhattan Bank, City Bank, and Lloyds Bank of London—insisted on very harsh conditions until the end. A compromise was evidently struck at the very end of the talks.

The agreement contains basic elements of the future agreement between Slovenia and approximately 300 commercial banks—creditors of the former Yugoslavia. We have learned unofficially that, because of the exchange rate differences due to which the amount of debt that the former Yugoslavia took out in 12 different currencies is changing constantly, the total sum of the debt that Slovenia will pay will not be expressed by a concrete sum, but by a percentage in the agreement.

Initially, Slovenia was willing to pay 13.39 percent of this debt, in accordance with the share that the International Monetary Fund determined for the repayment of the former Yugoslav debts to the Word Bank, however, the banks demanded repayment of approximately 20 percent of this debt. As the bankers say, somewhere within this range will be the percentage of the debt that we will repay. According to the current exchange rate, this would unofficially amount to $800 million. The commercial banks were initially willing to leave Slovenia out of the so-called solidarity clause on the condition that it repays $1.2 billion. [end recording]

Release From Solidarity Clause

AU0906194395 Ljubljana Radio Slovenia Network in Slovene 1700 GMT 9 Jun 95

[FBIS Translated Text] As we have already reported, our delegation in the negotiations with a consortium of commercial banks yesterday managed to strike a deal on

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the division and assumption of the Slovene share of debt toward this group of foreign creditors. Our delegation—which was led by government adviser Mojimir Mrak and, apart from Bank of Slovenia Governor France Arhar, also consisted of the bank's vice governor, Janez Kosak, and Finance Ministry State Secretary Bozo Jasovic—explained the agreement reached at the news conference. Suzana Kos reports:

[Begin recording] [Kos] After more than two years of negotiations, the first stage of negotiations on the division and assumption of the debt of the former Yugoslavia [the Socialist Federal Republic of Yugoslavia—SFRY] toward a group of nearly 300 foreign commercial banks ended in the United States yesterday.

According to yesterday's exchange rates of 12 currencies calculated in U.S. dollars, the total debt amounted to $4.7 billion. Upon returning to Ljubljana, Dr. Mojmir Mrak, the head of our negotiating team, first repeated the reasons why our side is striving to find an agreement with the debtors:

[Mrak] With this agreement, the Slovene debtors will be excluded from... [changes thought] ...will no longer bear the solidarity obligation.

[Kos] We must obtain a consensus of two-thirds of the creditors in order to gain our complete financial independence. The procedure of informing all creditor banks about the agreement reached and gathering all relevant documentation is envisaged as ending by autumn. So what is the subject of yesterday's agreement?

[Mrak] Slovenia will issue bonds to the value of 18 percent of the demands that the creditors have toward the debtors from the former Yugoslavia. These bonds will fall due on the date identical to the date in the existing (?NFA) agreement, that is, in 2006. The interest rate, too, is identical. I would like to point out here that this interest rate is currently favorable for Slovenia, namely, it equals LIBOR [London Inter-Bank Offered Rate] rate plus 13/16 of a percent, which means 81 basic points, which is a favorable level for us.

[Kos] Our side also accomplished the exclusion of all those debts that the legal entities from the territory of the FRY or the entities connected to them had purchased on the secondary financial market. The debt that Slovenia is supposed to assume will, according to yesterday's exchange rates, be approximately $710 million.

Our side also succeeded in (?changing) the compensation clause without which the consortium of commercial banks would not sign the agreement. The above clause now only refers to the damages incurred on the property of a creditor that have been ascertained by a final court verdict, National Bank Governor France Arhar said:

[Arhar] In the event of such disputes, Slovenia will simply have to pay for concrete expenses that will emerge on the basis of a valid, final, and executable court verdict. All this is only regarding the claims from the address of the existing agreement, that is, the old agreement, therefore, more of less the level of debts held primarily by these connected entities [sentence as heard].

[Kos] At the news conference, National Bank Governor France Arhar also emphasized that the agreement will naturally have to be endorsed by the Slovene Parliament, which is expected to happen in autumn. [end recording]

Banks Reject Debt Compromise

LD0906202795 Belgrade TANJUG in English 1941 GMT 9 Jun 95

[FBIS Transcribed Text] Ljubljana, June 9 (TANJUG)—The three most influential banks of the Consortium of Commercial Banks (ICC) have rejected a proposal by Slovenia for a compromise on its part of the foreign debt of the former Yugoslavia.

The ICC demands that Slovenia pay back about 1.2 million dollars of the debt of former Yugoslavia, while Slovenia wants to pay back only half the debt, bank sources in Ljubljana said on Friday.

The failure to reach accord will reflect negatively on the future relationship of international financial institutions toward Slovenia, said the sources.

The pressures pose a serious threat to Slovenia's efforts at stabilizing its economy.

Before its violent secession from the former Yugoslavia in 1991, Slovenia had placed most of its industrial products on Yugoslav markets.

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Federal

Bank Denies Responsibility for Monetary Upheaval

LD1206163595 Belgrade TANJUG in English 1632 GMT 12 Jun 95

[FBIS Transcribed Text] Belgrade, June 12 (TANJUG)—Vice Governor of the National Bank of Yugoslavia Ratko Banovic told TANJUG Monday that the bank had not issued primary money beyond plan and that it was not responsible for the latest monetary upheaval in the country.

Banovic said the National Bank adhered to the program that allowed 2.4 billion dinars to be in circulation.

Bank Governor Dragoslav Avramovic told bankers gathered at an international seminar in the resort of Milocer on the Adriatic coast that the Yugoslav program of economic stabilization had secured a stable national currency regardless of the discrepancy between the official and black market exchange rates.

Avramovic said the chief threat to his program of economic recovery was a rise in the prices of individual firms and contractors.

Although hyperinflation has been crushed, its return is still greatly feared because there is an inflation pressure of between four and five percent every month, said Avramovic.

He said a balanced budget was one of the greatest achievements of his program in the past 16 months.

Over the weekend, the German mark soared on the black market and was sold for 2.70 dinars and bought for 2.30 dinars.

The program of economic stabilization was launched at the end of January 1994, at the time when Yugoslavia faced a total economic collapse, and the authorities then fixed the dinar on a par with the German mark.

For a long time, the mark was double the dinar's worth on the black market but the official exchange rate has not changed.

More on Monetary Crisis

LD1206193495 Belgrade TANJUG in English 1918 GMT 12 Jun 95

[Report by Vesna Arsenic]

[FBIS Transcribed Text] Belgrade, June 12 (TANJUG)—The Yugoslav currency, the dinar, which has not yet recovered from the monetary upheaval of last March, suffered under heavy blow on the weekend as its exchange rate against the German mark plummeted on the black market, sending the price of petrol rocketing from 2.8 dinars to 4 dinars per litre.

Ratko Banovic, vice governor of the National Bank of Yugoslavia (Central Bank), would not speculate on the reasons for this sudden plunge of the dinar, but was firm on the point that the central monetary authority had not printed extra money.

Banovic said the Central Bank had not printed any money above the limit of 2.4 billion dinars, so that the upheaval on the market of the past few days could not be put down to any financial malversations on its part.

Cash accounts for about 40 percent of the total money supply.

The central monetary authority, however, does not control the payment system (which is in the jurisdiction of another department, with state supervision), which means that it can do little to discharge its constitutional duty as regards the dinar's stability.

The bankers' incoherence on the subject of the causes of the latest monetary upheaval make them sound like those husbands who are always the last to know what is happening in their marriages.

Nikola Arandjelovic, director general of the Yugoslav money and short-term securities market, spoke to TANJUG about the situation in Yugoslav banking, which is chronically strapped for cash.

According to Arandjelovic, on Saturday, when the dinar was rocked to the core on the black market, the banks had barely 37 million dinars in their accounts, and were running a debt of 55 million dinars.

Twenty-five banks were in the red, and 20 others only just managed to show no losses.

In view of this, it is hard to believe that the commercial banks, with no money in their accounts, could have triggered a monetary upheaval of this magnitude.

The crumbling of the dinar can be felt in daily price hikes, which are everywhere except on the green market, where the prices are tumbling with the plentiful supply of the season's crops.

The problem of incipient inflation is compounded by commodity shortages, real or speculative, which are again becoming common practice.

It must be recognised that there are those—like the debtors' lobby, hard-currency holders, black marketeers—who would like inflation to return, albeit in measured doses, if there be such a thing.

Even the sanctions, that universal excuse for all hardships, from economic to social, can no longer be used to gloss over the fact that the dinar will continue to be

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vulnerable until a radical reform has been carried out, with a slashing of public spending.

Central Bank Governor Dragoslav Avramovic had said at the start that the monetary recovery programme had a limited shelf life of barely nine months, when it should be followed by radical reforms in society.

The deadline expired nine months ago.

So far, the development programme until 1997 is embodied in the conclusions of three working groups which were coordinated by Avramovic, but the reform, apart for declarative support, has remained largely a dead letter.

Economist Warns Bank Against Primary Issue

AU1206193695 Belgrade RTB Television Network in Serbo-Croatian 1730 GMT 12 Jun 95

[Interview with Danko Djunic, director of the Belgrade Economic Institute, by Dusko Petrovic in Belgrade on 12 June—recorded]

[FBIS Translated Text] [Petrovic] Mr. Djunic, we have received information from the Yugoslav National Bank that there has been no issuing of money. Vice Governor Ratko Banovic has claimed this. As director of the Economics Institute and adviser to the Serbian prime minister, can you please comment on the latest developments on the foreign currency market?

[Djunic] I think that we are having a repetition of what we have seen several times already over the last year and one-half. Simply put, certain circles are trying to solve their problems by causing certain turbulences on the market. I think that the key point is the very information you just mentioned, that there is no primary issue. If there is no primary issue, then I expect that very soon everything will go back to the more or less same level at which it was several days ago.

[Petrovic] Can the nonliquidity of the banks be brought into connection with these developments concerning the dinar-German mark relation?

[Djunic] Well, you see, I personally think that it is a very ungrateful business to accuse the banks in general of anything. It is certain, however, that there are those among the banks that are not behaving professionally and are trying to solve their own problems by deploying prohibited means. That is the already mentioned gray issue, where the banks go into deficit, where they use the tolerance level of this deficit status, and then use foreign currency to regain the dinars at a higher level. Thus they are trying to solve certain problems of their own.

I personally believe that this is a case for the financial police. It is certain that each such case bears a liquid cash amount that is in the streets. Where this money is coming from is very hard to say. I think that what matters is that the amount of such money is not large. I think that it is important, as we have just said, that it does not come from the primary issue, and I think it could be coming from the gray issue. In that context, it is very characteristic that this always happens over the weekend. It is also possible that this is the money that is circulating independently in the so-called gray issue, and does not reenter the cash flow, so at a certain point it goes not from one form of goods to another, but to a German mark with certain expectations.

[Petrovic] It is said that fear of inflation is just as dangerous as inflation itself.

[Djunic] Yes, that is an old axiom that has been confirmed in our country several times. These are the so-called psychological expectations. I think that, for this reason, it is very important to remain calm. I repeat, if the National Bank manages to resist and does not allow the primary issue—and I am convinced it will not as governor Avramovic confirmed this on several occasions—I think that all this will go back to normal in a matter of days.

POLITIKA Assesses Effects of Sanctions

AU1206111795 Belgrade POLITIKA in Serbo-Croatian 30 May 95 p 5

[Article by Radojka Nikolic: "The High Price of Survival"]

[FBIS Translated Text] Under sanctions, it is most important to survive. If that has been the most important thing for the Federal Republic of Yugoslavia in the last three years of life under the sanctions, then it can be said that we have succeeded. The price of survival was high, and it can maybe be grasped best when expressed through the sum of production per capita: In 1991, it amounted to $2,950, in 1992 to $2,250, in 1993 to $700, and in 1994, a certain increase, around $1,000 per capita.

Food and Energy in First Place

The damage that the sanctions have caused Yugoslavia in the last three years is officially estimated at $147 billion. That has already been lost, and there is no return, but the estimates of what will happen if the sanctions are not lifted soon are also not encouraging. According to Misa Jandric, deputy minister for development, science, and environment, the effects of lifting the blockade will only be felt the following year. In the first year after the sanctions are lifted, the social production could be

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expected to increase by 16 percent, but in order to reach the level of 1990, we will need, without any pessimism, at least 12 years, Jandric assesses.

A few years ago, in 1990, the production of textile and leather was in second place in the structure of industrial production—18 percent of total industrial production. Four years later, second place in the production structure belongs to food. The production of food constituted 24.5 percent of total industrial production (earlier it was 15.6 percent).

In that way, in a few years of life under the sanctions, the picture of the Yugoslav economic structure has been completely changed. More than a half of the economy now concerns energy and food (altogether 56.5 percent of Yugoslav industrial production). Life itself has, undoubtedly, imposed the inevitable—namely, that under the sanctions, the most important thing was to feed and to warm oneself, that is, to use electrical energy in increased amounts.

Direct Damages Amount to $55 Billion

Many representatives of federal and republican authorities, as well as businessmen, have recently, around the third anniversary of the international embargo, made statements on the damage caused by the sanctions. They all agree on one thing: The damage is huge, and can be found in all aspects of life. According to Djordje Siradovic, federal minister of trade, direct damage caused by the sanctions amounts to $55 billion and indirect damage to $148 billion. The partial suspension of the sanctions on culture, sport, and traffic has not brought about an improvement of the general economic situation in the country.

Capacities Used Up to 30 Percent

The president of the Chamber of Commerce of Yugoslavia, Mihailo Milojevic, states that the sanctions have caused great damage, not only to the Yugoslav economy, but also to all the partners with which our companies cooperated, particularly those in West and Central Europe, the Russian Federation, and the Commonwealth of Independent States. "Our Balkan neighbors have also suffered serious damages. Those damages amount to billions of dollars every year. Therefore it is not accidental that the members of the Association of Balkan Chambers have frequently demanded an urgent lifting of the sanctions," Milojevic points out.

According to Milo Djukanovic, prime minister of Montenegro, direct material losses to the economy of this republic are estimated at $5.6 billion. In the long run, the situation is the worst in exports, sea traffic, tourism, and the colored metals industry. But, Prime Minister Djukanovic draws attention to another dimension: "In the long run, I, personally, am most worried about the social aspect of the sanctions, because they have already become a reality for one generation; for its way of life, economic adjustment, and political thinking."

Recently, many companies have estimated the consequences of the three years of sanctions, and have forwarded them through TANJUG. More or less, the situation is the same everywhere. Big industrial complexes are working at 20 to 30 percent of capacity, and their production has been reduced to a tenth of its original size. Thus, for example, according to Vlastimir Cvetkovic, the director of the cable factory in Jagodina, in the three years of sanctions, this company has lost around $360 million. Because of the sanctions, it is now working at a quarter of its capacity, and a half of its 7,500 employees are on paid leave. The 14 Oktobar company at Krusevac, according to its director, Slobodan Milosevic, is now only realizing 20 percent of the income it had in 1989. "Market potentials have been reduced to 10 percent of the former market for building machines, components, and equipment," Milosevic states.

In the past three years, according to Srboljub Vasovic, Zastava at Kragujevac has lost at least 10 billion dinars. Namely, the capacity of this producer was 200,000 vehicles a year, and it is now 20,000. "We use only 15 to 30 percent of our capacity and around 20,000 of our workers are on permanent vacation," Vasovic said.

The effect of the sanctions can be seen more clearly through this picture of the slowing down of the economy. On the overall social and economic plane, the three years of sanctions have resulted in a production half as big as that in 1990, the physical size of production amounts to 42 percent in comparison with the same period, the employment rate has been reduced by 15 percent, and the exchange of retail goods has, in comparison to 1990, been halved. Agricultural production has had the fewest losses, and it is now 9.3 percent smaller than that in 1990. If it can be any comfort—at least we have had enough food.

[Box, p 5]

Salvation in Avramovic's Program

In the second year of the sanctions (1993), Yugoslavia experienced one of the highest rates of inflation in the world. Combined with the sanctions, it looked like a complete collapse of the economy. Luckily, in 1994, a change came about with the economic program of Dragoslav Avramovic [National Bank governor].

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Since the introduction of the sanctions, industrial production in Yugoslavia deflated at the approximate rate of 0.9 percent a month. With the introduction of Avramovic's program, there came about a revitalization of the economy, and production started growing at the approximate rate of 2.1 percent. Just after such effects of the program and the stopping of hyperinflation could be seen, the foreign press started writing that the sanctions had not fulfilled their goal.

Serbia

Commentator: West Planned Karadzic Abduction

AU0906203695 Belgrade POLITIKA EKSPRES in Serbo-Croatian 9 Jun 95 p 10

[Report on interview with "military-political commentator" Miodrag Dinic by M. Colic; place and date not given: "Political Task of Special Forces"]

[FBIS Translated Text] Special international forces for "rapid reaction" are waiting for the green light from the Security Council to leap into the territory of the former Bosnia-Herzegovina. Their goal, as various world politicians say, is to provide direct protection for the UN forces on the ground during a possible pullout.

Only time will show whether this represents new pressure with military means, or something else. Not even the firm promise by Radovan Karadzic—that in the event the Blue Helmets decide to leave, their withdrawal over the Serb territory would be absolutely safe—has helped. The training of the rapid reaction force is well under way. All of the 2,000 Marines from the 6th Fleet are in the Adriatic, and the Franco-German forces are holding exercises on the French coast. The rest, some 17 countries, are offering their forces for a new operation in the Balkans. Is this a step toward peace, or a new spark of conflagration?

[Colic] What kind of forces are we talking about, and what are their military, political, and most importantly, economic goals? What can we expect from them?

[Dinic] We are talking about a light infantry division of the well-known formations in the United States and Britain and combined Franco-German units. They have between 9,000 and 12,000 men. The task of these units is to operate in the so-called gray zones. However, 10,000 men, and even 20,000 men do not mean anything for this kind of task in Bosnia. Owing to the specific nature of the territory and the disposition of forces, it would be necessary to engage 250,000 to 300,000 men.

[Colic] Is this not, in a way, a rehersal for the European forces' appearance?

[Dinic] There is no doubt that this is leading to the formation of the European army. Bosnia will become a pilot program for the multinational forces' joint operations, and they will make use of the most modern arms. However, Europe is at same time entering a fiery territory ridden with combat operations. There are also a number of irrational elements here. It will be very difficult for them to operate as they have no clear political goal. They will leave the same way they came—rapidly. We see that they are being given the role of a "stationary force."

[Colic] Special forces on a "chaise longue"?

[Dinic] Something like that. Special forces are not used for standard tasks. They do not remain on the ground. Sometimes, like in the Gulf, they simulate attacks. They are detached from the front, strictly behind the combat lines. Wherever they get deployed in Bosnia, they will become a target of different armies, including the Serb Army. No special unit must allow this to happen.

[Colic] Were there really plans in the West for "rapid reaction" in Bosnia?

[Dinic] According to my information from Germany, the West had planned to abduct Radovan Karadzic and General Ratko Mladic, but has abandoned the plan. Bosnia is not Panama, nor is there a Noriega.

[Colic] But they must have some goals. The West is not doing this for recreational reasons.

[Dinic] I see as the basis for the formation of these forces the fact that politicians want a firmer footing in the Balkans. We are ultimately talking about economic interests and the issues that are now being settled (with political and military means). Everyone is in the game, the West and the East. The division of territory in the former Yugoslavia is not over yet. The division, just like the end of the war, does not depend on us. The war in the Balkans will stop when they decide that. Therefore, the new soldiers and the new special forces should be seen as the constant psychological-propaganda pressure by the world powers in this region.

New Oil Fields Begin Production

95BA0234I Belgrade POLITIKA in Serbo-Croatian 15 Apr 95 p 1

[Article by Z. Simic and M. Cebalovic: "Oil Collection Center Opened"]

[FBIS Translated Text] *Production of 15,000 metric tons of oil and 1.5 million cubic meters of gas is expected; NIS [Serbian Oil Industry] Jugopetrol has opened a large storage facility for derivatives in Pozarevac.*

Pozarevac, 14 Apr—In the presence of Dragan Tomic, director of the firm NIS Jugopetrol, and the president

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of the Serbian Assembly, Minister of Energy Dr. Dragan Kostic, and also director of Jugopetrol Oil Rajko Jovanovic, and representatives of the Serbian Government, the Yugoslav Army, and the NIS management, a large storage facility for derivatives was opened this morning in Pozarevac, and in the afternoon, a second collection system for oil from Stig, called the "Bradarac-Maljurevac" one, began operation in Bradarac.

The new storage area with double tanks, which ensures complete protection for the environment, according to Zoran Mihajlovic from Jugopetrol's Pozarevac operation, is not a large one, and amounts to about 300 cubic meters, but it is significant for the Serbian oil industry because it is located close to the Stig fields where oil is obtained, and close to the Smederevo oil installations.

Jugopetrol Oil's director, Rajko Jovanovic, spoke at the opening of the second oil collection center in Stig (the first system has been in operation for several years) in the town of Bradarac, otherwise officially called the Bradarac-Maljurevac Collection Center, and the system itself was put into operation by Dr. Dragan Kostic, Serbian minister of energy and mining.

Jovanovic said that the Bradarac-Maljurevac Collection Center was located at the oil field of the same name, where so far 11 wells have been drilled, only two of which were dry. The nine positive wells are expected to produce 15,000 tons of oil and a million and a half cubic meters of gas each year. Dragan Kostic put the collection station into operation by activating a mechanism to fill the tanks with crude oil.

In a brief conversation with reporters after the opening of these two facilities, Dragan Tomic, director of NIS Jugopetrol, in explaining their significance, emphasized that the additional 10,000-15,000 tons of oil were an amount that would permit supplying primarily priority consumers. "In these conditions every drop of oil is precious," Tomic said. Milan Djakovic, NIS's general director, said that under the sanctions oil prospecting had been cut in half, but he announced the possibility of a somewhat better supply of derivatives for the market.

[Box, p 1]

Why There Was No Russian Gas

Pozarevac, 14 Apr—Dr. Dragan Kostic, Serbian minister of energy and mining, visiting Pozarevac today, stated that gas for heating had been secured because the unexpectedly cold weather had also surprised the gas distributors and the heating plants. Explaining why humanitarian Russian gas had not arrived during the winter, Kostic said that the expenses of the observers who would have had to be deployed at measuring stations throughout Serbia were so high that they exceeded the amount of foreign exchange that would have been needed to pay for the gas. "We did not have that much foreign exchange," said Kostic. "Specifically, the Federal Republic of Yugoslavia would have had to pay all the lodging expenses as well as per diems for the 120 observers who would monitor the consumption of the gas...."

"That," according to Kostic, "is one of the reasons why the gas was not imported, even though there had been a favorable decision by the Sanctions Committee." In response to a question about whether the payment term had perhaps been a problem, the minister answered that it had been agreed with the Russians that part of the imports would be paid for in cash, and part in goods.

More on Fields, Energy Plans

95BA0234G Belgrade POLITIKA in Serbo-Croatian 14 Apr 95 p 9

[Article by Momcilo Cebalovic: "New Oil Field Opened in Stig"]

[FBIS Translated Text] *On the occasion of Jugopetrol's 40th anniversary, the renovated Pozarevac storage facility and a collection center for crude oil from the Bradarac-Maljurevac fields will start work today. Five years ago, annual production of 40,000 metric tons of oil was announced, but last year only 8,000 tons was obtained, and the plan for this year is 16,400 tons. Where oil is being searched for.*

Jugopetrol, which is now called NIS [Serbian Oil Industry] Jugopetrol as a member of NIS, celebrated its 48th anniversary on 12 April. In connection with that, the rebuilt storage facility for derivatives in Pozarevac will be put into operation today, and then the Bradarac-Maljurevac crude oil collection center in Stig will also begin operation. The beginning of the collection center's operation also means the beginning of the extraction of oil at the new oil field in Stig, and thus, in addition to the Sirakovo and Bradarac-Maljurevac fields, more oil may be extracted from under Stig's fields. NIS Jugopetrol says that 16,400 tons of oil will be obtained this year from both fields, of which 10,000 tons will be from the new field.

This is an occasion to recall 22 June 1991, when Slobodan Milosevic, then president of the Presidency of the Socialist Republic of Serbia, put into operation the first collection and pumping station at Sirakovo. The commercial production of oil at fields "south of the Danube" began then.

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Annual Plan in Five Years

The attending guests, including the top Serbian leadership, were briefed on the possibilities of the new oil fields, and it was emphasized that the annual production would be 40,000 tons of crude oil.

"With the additional fields that will be activated in the coming years, we also expect considerably higher oil production," said Zoran Trifunovic, the director of Jugopetrol Oil, who is no longer in that position.

In his welcoming speech, Jugopetrol director Dragan Tomic emphasized that it was a "sort of historic event. It could also have occurred 20 years earlier. Unfortunately, considering the policy at that time in Serbia, in which the provinces were at odds with the republic in their domination of the economy, not enough attention was paid to natural resources," said Tomic, thinking of the neglect of prospecting and the production of oil in the former "Serbia proper" and now Serbia "south of the Danube."

Since at that time no one could have anticipated everything that awaited us in the coming years, there was optimism and even euphoria on all sides. Some people made comparisons with Kuwait. It was said that most of the work had been done on Sirakovo. The Sirakovo collection and pumping station that was put into operation then was "the last word in technology in this field," and was built at domestic enterprises. The above-mentioned 40,000 tons of crude oil would be obtained from 10 linked wells. It was emphasized that with this opening, prospecting was being continued in that region, and so the Bradarac-Maljurevac field was also being prepared for production. That field, as we see, is only being opened now, in 1995.

In five years of exploitation, 38,540 tons of crude oil have been extracted—thus, in five years, as much as had been announced for one year. About 7.5 million cubic meters of gas have been obtained. The annual production, which was about 8,200 tons in 1994, will be increased to 16,400 tons with the new field. That is great progress, but insufficient in comparison with what was formerly announced. Bradarac-Maljurevac will have nine wells, six in the first phase and then another three. If there is money, then it is possible that the collection center will also link four wells from the Bubusinac-Maljurevac oil and gas field, which would increase production by another 1,500 tons.

Important That It Has Started

Five years ago, the gas from Sirakovo was being burnt up; there was no place to consume it. It was later used to warm the oil pipeline and to heat buildings. This year the Jugopetrol Oil commercial organization for the production of gas and oil and for prospecting hopes to obtain 2,765,000 cubic meters of capping gas. Most of the amount from Sirakovo will be used for the production of electricity and heat through an imported gas-motor generator, which is planned to be put into operation during 1995.

The work on the new field is certainly the first big step since 1990, and judging by Rajko Jovanovic, who became director of Jugopetrol Oil a year ago specifically with the assignment of getting Stig started, there will be more such steps. Personnel changes and a little more money for prospecting and projects in Stig were what made the opening of the new field possible. Jovanovic was the director of Petrol Gas, and at that time, in cooperation with several Serbian factories, he completely mastered the production of spare parts, instruments, and equipment for butane bottles, which were produced before the embargo in Croatia and Bosnia-Herzegovina. Now "bringing the Stig oil fields to life" is ahead of him.

The director of Jugopetrol Oil is a restrained optimist, aware of the amounts that he will obtain in Stig, and of the fact that it all can hardly be compared to the million tons of domestic oil from the Vojvodina fields. "The essential thing is to get started," he said, "because those million tons were not obtained overnight either, or in a year or two.... Decades are needed for that."

Interesting Results From Prospecting

Jugopetrol Oil is also planning to earn a profit through several levels of processing, because the quality of the Stig oil makes that possible. Prospecting will take place side by side with production, because the level of research on possible deposits south of the Sava and Danube is relatively low. They announce that the prospecting, in addition to the Drmno depression, will also cover the areas of the Smederevo, Markovac, and Gradiste depressions, as well as part of the Cacan-Kraljevo and Krusevac tertiary basin, the Negotina region, and Kosovo and Metohija.

Those are the so-called tertiary deposits, the shallower ones, while most of Serbia south of the Sava and Danube is "covered" by pretertiary deposits. That part has been investigated least. Two years ago Jugopetrol Oil went into those parts of Serbia—Western Serbia, Sumadija, southwestern and eastern Serbia, the Carpathian-Balkan mountains (at the Bulgarian border), the interior Dinarics (toward Montenegro and Herzegovina).... After the first phase of the prospecting (geological and geochemical), which Jugopetrol Oil has done, a second phase would follow (assessing the potential, using geophysical and seismic methods), and only then, in the third

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phase, would wells be drilled, if there is justification. What can be said after the initial results?

"The results in certain areas are interesting," Petar Asanin, Jugopetrol Oil's chief engineer for geological prospecting, answered enigmatically.

Kosovo

Rugova on Education, Trials, Regional Conflict

AU0906201195 Pristina Kosova Daily Report in English 9 Jun 95

[FBIS Transcribed Text] President of the Republic of Kosova [Kosovo], Dr. Ibrahim Rugova, congratulated today secondary school teachers and students on the successful completion of the 1994-95 school year. "They have performed well under very hard conditions, attending school in private homes," Dr. Rugova said in a press conference, referring to the Albanian-language education system that has for four years now operated under the harsh grip of the Serbian regime. President Rugova commended on those who have contributed to the maintenance of education in Albanian, especially the hosts of houses that have been turned into makeshift schools, at a time that the majority of Albanians have been denied access to the public school buildings, which have been reserved for Serbs alone.

Touching on the permanent Serbian repression practices in Kosova, President Rugova said 13 municipalities with dozens of villages have been targeted over the past week, heavy police forces being involved in systematic raids allegedly in connection with arms searches. He offered a comprehensive picture of the range and scope of Serbian violence against Albanians of all walks of life—teachers, political activists, and young people hunted down for forceful conscription in the Serbian Army.

President of the Republic of Kosova denounced the continuation of the staged trials against former Kosova police personnel. Recalling yesterday's verdict by the Serbian-run court in Gjilan [Gnjilane]—16 Albanians were sentenced to 17 years in prison—Dr. Ibrahim Rugova said the trial against 72 Albanians is due to resume in a few days time in Prishtina [Pristina]. He said all such trials should be brought to an end and demanded the release of all political prisoners and others who have been convicted by the Serbian regime in the past few years.

The Kosova president reiterated his call for an international presence in and protection of Kosova. Dr. Ibrahim Rugova said he welcomed U.S. Secretary of Defense William Perry's statement on the risks of spread of conflict to Kosova, Macedonia [The former Yugoslav Republic of Macedonia—FYROM], and Albania and the fact that such a conflict spill-over would affect American vital interests. He hailed former U.S. Secretary of State James Baker's remarks on the urgency of preventing conflict from spreading southward, but also Senator Joseph Lieberman's and Sam Nunn's statements, who, testifying before the American Senate, demanded prevention of conflict in Kosova and the settlement of the Kosova issue.

President Rugova hailed the debate of the Committee for Migrations, Refugees, and Demography of the European Council Assembly held last week in Paris, in which Kosova delegates took part. The Kosova president praised the American rescue operation which resulted in the American pilot in Bosnia being rescued.

Asked by reporters to comment on the significance of the creation of the "Rapid Reaction Force" for the security of Kosova, and the prevention of a possible bloodbath in Kosova, President Rugova said the regrouping of troops and the creation of rapid reaction force are aimed at halting the war in Bosnia as well as to protect and rescue peacekeepers there. "It is of crucial importance to bring the Bosnian war to an end and to secure a comprehensive settlement for all the issues in the former Yugoslavia. On top of that, it is vitally important to avert the conflict spillover to Kosova and wider in the Balkans," Dr. Rugova said.

Commenting on the fact that the world has not forgotten Kosova, despite the very grave situation that has prevailed in other territories of the former Yugoslavia, President Rugova said the world has appreciated the sacrifices of the nonviolent resistance of the people of Kosova, but also the fact that this people has contributed to seeking a political solution to the problems in the former Yugoslavia and the Balkans. "An immense human and moral credit has been invested in Kosova," President Rugova remarked.

A reporter asked President Rugova's comment on reports that in some Kosova municipalities the Serbian regime has been compiling lists of Albanians teachers who would be arrested, the goal being incrimination of the legitimate right of the Albanians to education in their mother tongue. "Albanian-language education has been permanently oppressed and repressed. One cannot rule out such a possibility, but I would like to see that does not turn to be the case, for it would present a big problem," President Rugova said, adding: "The Serbian pressures and propaganda have been alluding to the destruction of the Albanian education in Kosova, which we have maintained investing a lot in it. I am convinced this system (Albanian-language education) cannot be destroyed."

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Commenting on a statement of U.S. Senate Majority Leader Bob Dole, who has said that the sanctions on Serbia and Montenegro should be linked with the restoration of the status Kosova enjoyed based on the 1974 Constitution, President Rugova said: "Bob Dole is a friend of Albanians, and I highly appreciate his personality. The most important thing is that Bob Dole has been supporting the warnings of President Bush and President Clinton on Kosova, as well as the request that an American bureau be opened in Prishtina. I see Bob Dole's statements as a support for Kosova, for it is vitally important that break-out of conflict in Kosova be prevented."

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